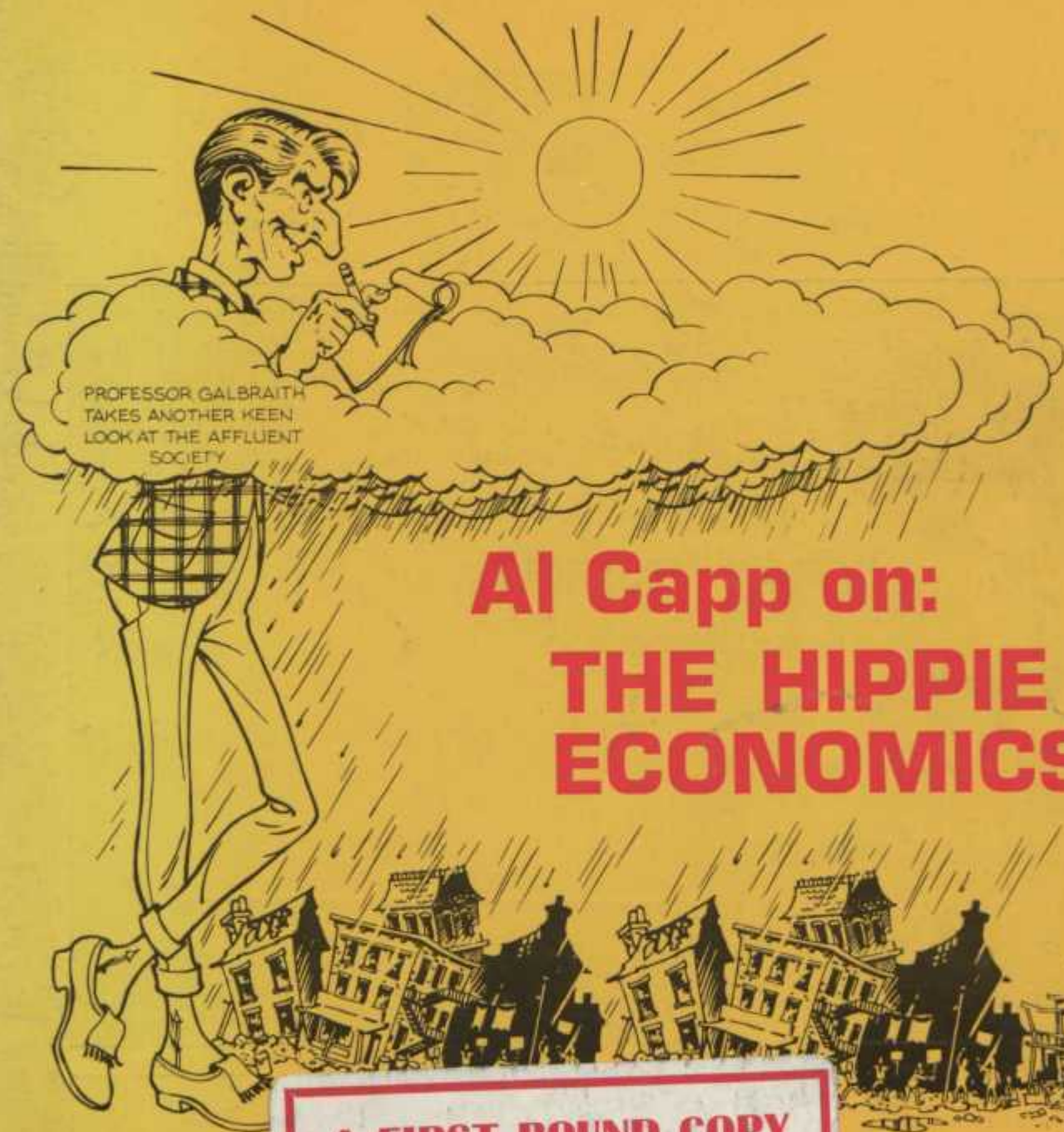


Nation's Business

A USEFUL LOOK AHEAD

SEPTEMBER 1967



PROFESSOR GALBRAITH
TAKES ANOTHER KEEN
LOOK AT THE AFFLUENT
SOCIETY

Al Capp on: THE HIPPIE ECONOMICS

A FIRST BOUND COPY

(Do NOT remove from office)

Donner tells how GM does it
A city that took care of itself
Tips for troubleshooters

Philippine Air Lines is now operating at electronic speed.



Off the ground, Philippine Air Lines operates with jet speed and smooth efficiency on its international flights between Honolulu, San Francisco, Hong Kong, Singapore, Taipei, Sydney and Manila. On the ground, however, operations move even faster, thanks to the airline's recent installation of an NCR 315 computer system.

The NCR 315 stores, sorts out and organizes reports coming in from its main and branch offices at electronic speed. It processes data on sales, flight

schedules, hours logged by crews and planes. It compiles stores and stock levels, overhaul and maintenance costs, payrolls, budgets and forecasts. All this it does instantaneously to provide management with up-to-the-minute reports so vital in making prompt, effective decisions.

Philippine Air Lines has a long tradition of rendering the best air service in its domestic and international operations. Nothing could be more in keeping with that tradition than the airline's recent installation of the NCR 315.



NCR

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- What is the stumbling block that may be keeping you from getting ahead as fast as your business ability warrants?
- What is the quickest, smoothest path to greater earning power?
- Should you wait to be told what you must do to qualify for promotion?
- What is the secret of leisure that can be used to increase your efficiency?
- What business principles must you master to move smoothly from one industry to another in order to escalate your salary?
- Where is the new technology leading business? How can you stay abreast of the trend?



- Will growing automation make your job obsolete? How can you protect yourself?
- What are the characteristics chief executives of companies—large and small—have in common?
- What five practical steps can you take now that will help you the most?

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Nation's Business

September 1967 Vol. 55 No. 9

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The national federation of organizations representing
4,750,000 companies and professional and business men
Washington, D.C.

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Editor
Jack Wooldridge

Managing Editor
Tait Trussell

Associate Editors
Jeffrey S. O'Neill
Walter Wingo
John Costello
Robert W. Ireland
Vernon Louviere
Sterling G. Slappey
Wilbur Martin

Contributing Columnists
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1967

**"I paid a little more to
get 'Jeep' 4-wheel drive...
but it's the best investment
I ever made."**



says William Murphy, of Bristol, Rhode Island.

"My business associates were skeptical, last fall, when I decided on the 'Jeep' Gladiator instead of the other pick-up trucks we looked at," says William Murphy of Bristol, Rhode Island. "They weren't sure we'd use 4-wheel drive enough in our fuel oil business to pay the extra money for it."

"Three weeks later, that Gladiator paid off in a spectacular way."

"Art Mackie, one of our biggest customers, called late one afternoon. Like

most of our customers the blizzard caught him by surprise. He needed a delivery to keep his plant going that night. And he needed it fast."

"We sent out our last oil truck. The roads were snow-packed and slick as ice. Going down the hill on Metacom Ave., as our driver tells it, the whole rig slipped slowly off the road and down into the gully. Wham! ... It looked like Art would have to shut down."

"I never used a pick-up truck as a

wrecker before. But when I arrived to get the driver, we decided to try. I put the Gladiator into 4-wheel drive low and went down into the gully. After a few unsuccessful tries the tanker began to move. Let me tell you that was an amazing sight: our little 5000-lb. Gladiator pulling a 36,000-lb. oil tanker up that snow-packed hill. So Art got his oil, and he's been a big booster of ours ever since."

"That winter the Gladiator earned its keep in a lot more ways. When the snow

See 'Jeep' vehicles in action on "World Series of Golf," September 9-10, NBC-TV Network.



"A white back, 'Jeep' 4-wheel drive really paid off. Art Mackie needed oil in a hurry and...wham! our last tanker got stuck in a gully."



"I shifted into 'Jeep' 4-wheel drive and backed down into the gully. Going from 2-wheel to 4-wheel drive is easy as turning on my lights!"



"Finally the tanker began to move. What a sight: our 5000-lb. Gladiator pulling a 36,000-lb. oil tanker up that snow-packed hill."



"My customers always count on me to make any delivery in any weather."



"On the road, the Gladiator handles like my family car, only more comfortable because there's more room."



"That's our boat. No problem getting this baby afloat when we use the Gladiator."

in a customer's driveway stopped a delivery we'd plow it out quickly with the Gladiator. On cold mornings, we'd use the Gladiator to tow-start even our heaviest trucks. Actually I use 'Jeep' 4-wheel drive only 2 or 3 times a month. But my customers always count on me to make deliveries anywhere in almost any weather. "But it's not just a brute, either. On the highway it handles as sweet as my wife's car. I just flip a lever and shift in and out of 4-wheel drive at any speed. And that

V-8 engine gives us more power than we actually need.

"My wife and I discovered it's terrific for our boating too! On weekends we throw a picnic in the back and drive our boat trailer right across the beach to the water's edge. No problem getting the boat afloat with this baby.

"For my money, the Gladiator is the best darn

truck on the road...with that 'Jeep' 4-wheel drive it's so versatile it's like having two trucks instead of one."

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WASHINGTON: A LOOK AHEAD

New pressures build for still heavier federal spending.

Not just for Viet Nam or to placate riot-seared and riot-prone cities either. Remember the '68 Presidential election is just over the hill. And moola from Washington will be what many a candidate will run on.

To help them out, the government has quietly set up a system for detailed breakdown and reporting, by geographical location, of all dollars that pour out of the Treasury.

A central compilation will be done by Office of Economic Opportunity (headquarters for the war on poverty). So in coming months, politicians will be able to tell their voters exactly how many federal dollars they are getting in their home town for everything from medicare payments to munitions contracts.

And picture the scramble for more funds when the figures show one Congressional district is getting more gravy than its next door neighbor.

Administration waves Old Glory wildly to turn all heads to war effort, high costs of the military. But little-noticed fact is that spending for civilian programs of Great Society are rising faster than defense outlays.

Washington's plans call for national defense spending for fiscal 1968 year (it began in July) to rise 8.4 per cent above fiscal '67. But cash outlays for all sorts of domestic, nondefense, welfare programs are estimated to increase by 11.5 per cent.

Some areas of nondefense spending have risen twice as fast as defense. Spending for health, labor and welfare, for instance, is forecast by government to jump 18 per cent this fiscal year over last—more than twice the rate of climb for national defense.

Of course Viet Nam costs are likely to climb in the months ahead. But Administration acts

as if not a penny could be shifted from civilian programs to military. So it continues to pay out tax dollars for everything from (believe it or not) karate instruction for young New York Negroes in poor sections to plush new offices for federal officials in Washington.

Administration says it wants cutbacks in planned spending—by maybe \$2 billion. But oddly, Administration lobbyists still twist wrists on Capitol Hill to wrench out more money.

Even what most people think of as necessary and desirable expenditures soar at altitudes far above what public generally realizes.

Take National Institutes of Health. It now spends more on education and research projects than even the wealthiest state pours out for all higher education costs.

Now billions in federal funds are used for campus construction, scholarships, libraries, graduate schools. Fact is, Washington spends more on the campus than do all the state governments combined.

One college president was asked recently what would happen if all the billions of federal dough were suddenly withdrawn. He scratched his head and said, "Well, first there would be this very loud sucking sound."

"Thank God for the National Guard."

That's what citizens all over the country are saying. The Guard has been called out to put down riots more than 40 times since the Little Rock incident a decade ago.

Every state has Guard units. Army National Guard now totals 417,000; Air Guard, 81,000.

Average Guardsman gets at least six hours special riot control training, how to get quickly into formations to break mobs into smaller bunches, for instance. Now they'll get more since LBJ's call for added training.

Military police units in Guard get more of

WASHINGTON: A LOOK AHEAD

this type training, of course. Guardsmen's tactical military training also prepares them to fight rioting hoodlums. Generally they meet regular Army training requirements. Three out of four Guardsmen are under 25.

Guard could be even stronger in many states this fall when new reorganization takes effect to consolidate units and provide better distribution of equipment.

Though Pentagon for years has been trying to cut Guard strength, Congress has held out to keep Guard strong.

Labor Department's Wage and Hour Division has been trying new tactic, probably will adopt it all over the country. The change: Stop bargaining in on firms without warning.

Instead, wage and hour investigators will first call employers, telling them when they will show up.

Employers then can have their people and books ready for inspection, saving time and tempers for everyone.

Wage and hour officials also are setting sights on raising time-and-a-half pay for overtime requirements. They think it should be, maybe, double time.

They argue that with all fringe benefits employees get today, time-and-a-half requirement doesn't deter overtime the way it did when first enacted.

Labor Department also is thinking up ways for taxpayers to provide a year's free education for any woman after she has reared her last child.

It would be a "retooling" program to prepare her—in a federal fashion—for work in industry, government or volunteer activity.

National Labor Relations Board prepares series of new decisions on rights of individual in a union. Board may take its cue from Supreme Court's recent pronouncement that a union not only can fine its members—even those in union against their will—but can

ask courts to collect the fines. Meanwhile, no sweeping new decisions are expected for now from another labor agency, Equal Employment Opportunity Commission.

EEOC is beset with unsettled cases and revolving door changes in leadership and staff.

In desperation, EEOC officials have contracted a computer outfit to help them figure out what they're doing. The Commission is feeding the computer bushels of facts on EEOC policy statements, regulations, opinions, decisions and case histories.

Support swells for Monday holidays. Both Senate and House have been holding hearings, after years of apathy.

Business has been applauding the idea, which is to give everybody three-day weekends several times a year by shifting some present holidays so they always fall on Mondays.

Examples:

Third Monday in February, to be called President's Day, could replace Washington's birthday. George actually was born on Feb. 11, so it's no slap at the father of our country.

Memorial Day could be last Monday in May.

First Monday in July could substitute for Independence Day's usual recognition on July 4. Patriots take note: Declaration of Independence really was voted by Continental Congress on July 2, anyway.

Veterans' Day (now Nov. 11) could be third Monday in March instead to provide a mini-vacation at that time of year.

Thanksgiving Day, which has been shifted around in years past, could be marked on fourth Monday in November.

Many besides travel and lodging industry like the proposal. For example, grocers could purchase perishables more economically, plants could shut down production instead of having to stop and start when holidays fall at midweek.

Christmas and New Year's, of course, would not be changed.



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Business opinion:

Why Congress is frustrated

To the Editor:

The members of the "frustrated Congress" [Washington: A Look Ahead, July] will continue to feel confused and have "a lack of control as if they're adrift without a paddle" so long as they refuse to check the premises on which they base their beliefs and actions.

A nation cannot prosper long with a half-Keynesian, half-laissez-faire economy (actually, the ratio is an imbalanced one in favor of the Keynesian philosophy) because it is the Keynesian policies which are a deterrent to a steady, healthy economy.

Here lies the fallacy of the pro-Keynesians' arguments, and as long as the members of Congress continue to toy and jockey with these erroneous principles, their fears over their popularity ratings will remain on a high level.

J. ROBERT OUTERBRIDGE
Denver, Colo.

Propaganda or education?

To the Editor:

As a former United States official [special assistant to the Secretary of Commerce for public affairs], I read with a mixed reaction of amusement and sadness "Uncle Sam's Brainwashing Machine" [July].

As a piece contrived to make the Main Street businessman hit the ceiling, it was amusingly clever.

The Commerce Department's series of economic booklets, "Do You

Know Your Economic ABC's," was initiated as a result of studies showing that most Americans never take a course in economics and that many states do not require a credit in economics as a qualification for teaching.

Fewer than 15 per cent of high school students, at that time, were taught even elementary economics.

In the belief that economic knowledge strengthens the American system, the Commerce Department published this series of booklets on fundamental subjects like the GNP, balance of payments, patents and trademarks, the profit incentive, trade and technology.

The series has been a best seller at the Government Printing Office and has earned various education and public service awards for excellence. A third of a million copies have been bought by citizens eager to learn more about the workings of the free enterprise system that produces more benefits for more people than any other economic system in history.

If this be propaganda, we should have more of it.

JAMES G. MORTON

Director of Government Relations
Manufacturing Chemists' Association, Inc.
Washington, D.C.

A pleasant dessert

To the Editor:

After some two hours of reading

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In their own ways, three Pitney-Bowes machines help Dan meet his deadlines with time to spare.

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weights of the lists are rarely the same.)

Our desk model postage meter neatly prints the postage—and only the postage the scale says is needed—on each piece of mail that's sent out. Letter by letter, the meter keeps count of how much of Dan's budget is spent in postage. The meter eliminates, too, the bother of keeping a stock of stamps along with the stocks of lists.

Besides saving time by printing each subscriber's name and address on every list mailed, our 701 Addresser-Printer has become a permanent record of pertinent data on each of Dan's subscribers. The plates hold not just the subscriber's name and address, but also his billing number and area code letters that tell which lists to mail

and how much to bill him at the end of the month. As Dan told us, "The Pitney-Bowes' plate was the only one large enough to hold all the data we need."

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


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Business opinion:

and digesting your interesting August, 1967, issue, your short but reminding editorial, "A Snowball's Chance," emerged as pleasant desert after a nine course meal.

Perhaps our Administration's requested 10 per cent tax increase will be used, if granted, for refrigerators to house these snowballs!

GUY L. FORNES
Vice President
Chesley Industries, Inc.
Farmington, Mich.

Really hit home

To the Editor:

"Business Isn't Really Selling Them" [The New Generation, August] really hit home.

We have more recently come to realize in the cement-concrete part of the construction industry that there has been an almost complete void as far as even discussing this business in the high school classroom.

Programs are now being developed to fill this void, but construction has done a poor job of selling itself to high school students.

Doors are ready to be opened, but the representatives of the construction industry will have to start opening them. They just don't swing open of their own accord.

WALTER S. RICKS
Executive Director
American Society of Concrete
Constructors
Des Plaines, Ill.

Dr. Ramo's robot

To the Editor:

Dr. Ramo [Lessons of Leadership: Making Technology Serve Society, July] suggests that unemployment of unskilled and semi-skilled workers by automation could only be done with conscious, concerted, expensive effort by industry.

As an example, he cites the folly of substituting a \$1 million robot for a light-bulb changer.

Industrial changes have been continuous and not discrete functions. Therefore, if unemployment levels rise among these work groups, it will be at a continuous, increasing rate rather than in quantum jumps.

If the past is prologue to the future and one juxtaposes a computer for robot and a bookkeeper for the light-bulb changer, the correspondence falls.

HORACE C. MILES
Vice President
ECCO Consulting, Inc.
Pittsburgh, Pa.

Consumers should read it

To the Editor:

"Unions' New Goal: King-size

The Beverly Hilton's most influential guests have checked out.

And now that they're gone, there's a new Beverly Hilton.

During their stay here, these painters, carpenters, designers, decorators, etc., did a job of building, remodeling and decorating that left even us in a mild state of disbelief.

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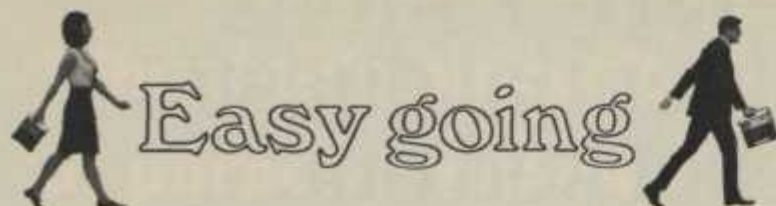
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Business opinion:

Featherbeds" [July] is most interesting and timely.

I wish more articles of this nature could be read by the ultimate consumers, those who stand to lose the most as a result of these union tactics.

WAYNE BENNETT
Office & Personnel Manager
Burris Manufacturing Co., Inc.
Prairie, Miss.

The franchise boom

To the Editor:

Franchising, because of its growing popularity, is an even greater economic factor than was indicated in Executive Trends [June].

Franchised sales this year are expected to reach \$80 billion or some 25 per cent of all retail sales in the United States for 1967, and \$15 billion greater than in 1966.

With an estimated 100 newly franchised businesses opening their doors every working day, the total number of franchised outlets operating today is probably closer to 400,000 than the 150,000 figure you used.

ROBERT M. ROSENBERG
President
Dunkin' Donuts of America, Inc.
Quincy, Mass.

Wasting taxpayers' money

To the Editor:

"How Your Tax Money is Wasted" [May] grieves me no end.

It seems to me about 25 per cent of Congress' time is spent working for re-election, 25 per cent for leisure and less than 50 per cent working on their job. If they would take one job and see that the money is not wasted, then take another, things would change.

H. A. ROES
President
H. A. Roes & Co.
Kansas City, Mo.

A fine series

To the Editor:

Your fine series, "Understanding Economics—What People Should Know About Our Business System," is certainly commendable.

There seems to be precious little appreciation taught these days, in school, college or elsewhere, for the demonstrated effectiveness of the free enterprise market system.

Without appreciation there will be no reason or desire to preserve it.

FRANK E. NELSON
Newark, Del.

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Executive Trends

- MBA's strike it rich
- For back-to-work execs
- Tasty college of knowledge

MBA's striking it rich

This fall, graduate business students have lots to look forward to. Namely, money.

It talks, and now it's saying, "MBA."

College grads with a master's degree in business administration—plus an undergraduate technical degree—have been at the top of the job recruiters' shopping list.

Last June, recruiters' offers for these students averaged \$869 a month. That's \$10,428 a year—\$840 more than in 1966.

In second place came electrical engineers with a master's degree: \$868 a month.

It's the first time since it started its survey of starting salaries offered college grads that MBA's led the list, The College Placement Council, Bethlehem, Pa. 18018, says.

But the Council thinks it's a trend.

Behind, but catching up.

That's the story of engineers' pay. Their median salary now runs about \$12,500.

It's up five per cent over a year ago. And almost double what it was in 1953—\$6,500.

"Recent surveys show that employers are beginning to appreciate the value of the engineer's services," Paul H. Robbins, executive director, National Society of Professional Engineers, Washington, D.C., says.

"But compared to some professions, engineers started far back.

They have to do a lot of catching up."

In all U. S. manufacturing, median pay for graduate engineers with 12-14 years experience is only \$13,550, he notes.

Median means halfway between top and bottom.

Top 10 per cent of the group makes \$17,950 or more; low 10 per cent \$10,600 or less.

Here's what same engineer gets in industries that pay highest median salaries:

	High 10 per cent	Low 10 per cent	Median
Business machines	\$20,850	\$11,950	\$15,800
Research and devel.	\$20,550	\$12,700	\$15,800
Electronic equip.	\$18,600	\$11,100	\$14,550
Aerospace-defense	\$18,800	\$11,150	\$14,400
Instruments	\$18,450	\$10,850	\$13,750

Figures come from 1966-67 survey of Engineering Manpower Commission, New York, N. Y. 10017.

Executive glossary to refresh your memory

Back from vacation?

And still a little hazy on office ritual and terminology?

Here are one executive's handy definitions that may jog your memory:

- Conference—a place where talk is substituted for the dreariness of labor and loneliness of thought.
- Reorientation—getting used to working again.
- Clarification—filling in the background with so much detail that



Low-priced time clock helps small companies meet strict wage-hour law requirements

Accurate time records and proof of compliance are mandatory for all companies subject to the wage-hour law. More and more companies are finding it pays to avoid wage-hour trouble with clock-stamped payroll time records. A bonus benefit is that resulting employee respect for time discipline shows up in increased production!

Lathem leads the field with a deluxe, fast-operating top-inserting time recorder that provides error-free two-column payroll accounting for straight time and overtime. And Lathem makes time clocks feasible for companies with as few as three employees with low-priced side-printing models which may be used for job time as well as payroll time.

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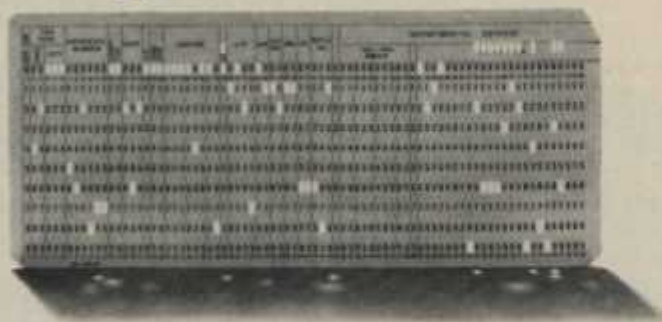
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Get it out of your system



If keypunching is a major bottleneck in the smooth flow of data through your company, get it out of your system.

That's what the Oilwell Division of U.S. Steel did. With a little help from Friden.

Before Oilwell's computer could prepare an invoice, every branch office sales order had to be mailed to the home office for coding and keypunching.

The whole routine took a full week. FLEXOWRITER* automatic writing machine by Friden now does it in two days! One machine was installed in each of Oilwell's 85 branch offices. Now the original order is typed

with the help of edge-punched cards. Because these cards contain 90% of the data typed on the order, 90% of the finished order is *automatically* error free.

While the machine types out a priced order, it produces a punched tape containing all invoice information. The home office computer reads this tape directly and invoices are mailed within 48 hours of the sale.

Find out how little it will cost to get keypunching out of *your* system. Call your nearest

Friden office. Or write Friden, Inc., San Leandro, Calif. 94577. Sales and service throughout the world.



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EXECUTIVE TRENDS

continued

the foreground goes underground.

- Note and initial—spread and dilute the responsibility.
- Make a survey—a way to procrastinate to gain time to think up an answer.
- Negotiate—knock heads together to get a meeting of minds.
- Under consideration—never heard of it.
- Under active consideration—lost in the files.

Tasty college of knowledge

Ever hear of Dunkin' Donuts U—or DDU, as old grads call it?

Or Mr. Donut's University of Donutology.

Alumni of both institutions speak highly of 'em. They're training schools set up by two big franchise firms:

Mr. Donut of America and Dunkin' Donuts of America.

Each one gives students a six to eight week cram course in running a franchise doughnut shop. It covers everything from mixing batter to personnel training and cost accounting.

Some 450,000 franchise outlets now operate in U. S. cities and towns, the International Franchise Association, Chicago, Ill. 60601, estimates. They'll do a \$70 billion business this year.

Schools like UD or DDU are one of the reasons franchising has grown so fast, Thomas Robinson, the association's executive secretary says, adding:

"Almost every parent firm now gives formal training to its franchisees. And many run refresher courses."

Help from the Himalayas

Build a powerful torso; breathe crisp mountain air; eat hearty; sleep well—and get paid for it.

Sound like a good deal?

Not to young Americans today. Lumberjacks, whose work includes all the above fringe benefits, are in very short supply.

But Great Northern Paper Co. may have found a solution. It imported six Tibetans, refugees from a homeland now occupied by Red China.

They have all the prerequisites for lumberjacking. They're used to

To turn browsing into buying... 3M Background Music Sells!

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Boston 742-5555	1-800-238-5212	San Francisco 981-5350
Chicago 663-0500	(no charge)	St. Louis 621-6440
Cincinnati 381-5200	Los Angeles 878-2565	Toledo 243-6103
Cleveland 696-6060	Memphis 363-3400	Toronto 925-6361
Dallas 357-1711	Miami 532-8361	Washington, D. C. 525-6700
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EXECUTIVE TRENDS

continued

hard work, cold weather and the forest solitude.

And there are more where they came from.

If they can learn our strange, Occidental ways and language, Great Northern thinks it may have one labor shortage licked.

Executive demand tails off

Business sagged the second quarter of 1966—and demand for executive talent sagged, too.

Only about 15,600 executive Help Wanted ads ran in the 11 metropolitan areas where Heidrick & Struggles, Inc., Chicago executive recruiting firm, keeps tab.

That's down about four per cent from last year.

It wasn't all bad news.

Over-all demand is still high, the firm says.

And industry clamored for more executives in defense engineering and science, up 60 per cent over last year, and in finance, up 30 per cent.

General administration, personnel, manufacturing, marketing and general engineering and science fields needed fewer execs.

How to do it— by an expert

In 10 year's time (1950-1960), Houston shot up from the fourteenth biggest U. S. city to No. 7.

Marvin Hurley's new book, "Decisive Years for Houston" \$7.95 (Houston Magazine, Houston, Tex. 77052), tells how.

The author, executive vice president of Houston Chamber of Commerce, relates in detail the dynamics of big city growth and development.

Looking ahead at tomorrow's customers

Heard a lot about the teen-age market? But that's not the group that'll skyrocket fastest. It's the 20-24 age bracket. It will expand 45 per cent in this decade.

Then, in the 1970's, the 25-34 age group will show the highest growth rate.

A booklet, by the Los Angeles Chamber of Commerce, Los Angeles, Calif. 90054, "The Dynamics of the Youth Explosion" \$7.50, explores its impact on business.

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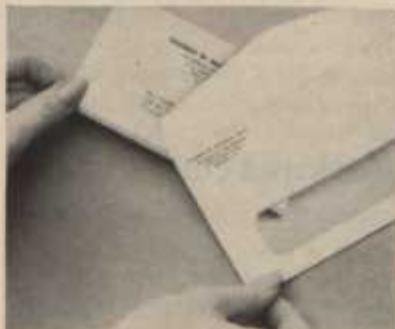
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SAN FRANCISCO SACRAMENTO	32	1 hr. 40 min.	1.40	1.60	1.80
ATLANTA BIRMINGHAM	10	3 hrs. 30 min.	2.05	2.35	2.70
KANSAS CITY ST. LOUIS	11	5 hrs. 15 min.	2.35	2.65	3.00

*Other low rates up to 100 lbs. Lot shipments, too.



One of a series of messages depicting another growing service of The Greyhound Corporation.

A new leader for constructive Opposition?

BY PETER LISAGOR

The business of the Opposition is to oppose—that was the guiding principle in Congressional politics back when the two major political parties were more readily identifiable on the basis of philosophy.

But the concept got a bit sodden as both parties began to swim toward the cliché-bound "mainstream." Political scientists began to have a tough time measuring what Clinton Rossiter called "the distance between dead-center Republicanism and dead-center Democracy."

Rossiter, a Cornell professor, gave the matter a great deal of thought and attention in his writings. He concluded in the early 1950's that the G. O. P. "heart" was where the late Sen. Robert A. Taft had "pitched his famous camp—halfway between the standpattism of the 'unreconstructed Old Guard' and the me-tooism of the 'disguised New Dealers.'"

Adlai E. Stevenson, on the other hand, was seen by Rossiter to have "raised his famous standard halfway between the aggressive reformism of the 'laboristic liberals' and the moderate opportunism of 'the Texas brokers.'"

That was some pretty high-falutin' language to show how the leaders of both parties were searching for that most solid and populous terrain in U. S. politics, the middle ground. It was Rossiter's persuasive view that the difference between Republicans and Democrats was "one of tendencies rather than principles."

He thought the Democrats to be "an urban, working-class, new-stock, union-oriented party with a penchant for reform and spending," and the Republicans were described as "a rural-suburban, middle-class, old-stock, business-oriented party with a penchant for the status quo and saving."

Rossiter carried his analysis a step further: "Look deep into the soul of a Democrat and you will find plans to build 400,000 units of public housing and to ship 300 tractors to Ghana (whether Ghana wants them or not); look deep into the soul of a Republi-

can and you will find hopes for a reduction in taxes and for a balanced budget."

• • •

Writing today, the professor surely would use other images. For the overlap between the parties has grown, and the differences have been further smudged. The Ninetieth Congress is Exhibit A. Congressional Republican leaders, Sen. Everett M. Dirksen, of Illinois, and Rep. Gerald R. Ford, of Michigan, probably are spiritually closer to Taft's

PHOTO: WIDE WORLD



G.O.P. takes on new role, thanks to leaders like Sen. Morton who bucks trend toward homogenized politics.

gospel than they are to the prevailing sentiment among those Republicans elected in the 1966 sweep.

That fact may account for the quiet emergence of Sen. Thruston B. Morton, of Kentucky, as a spokesman for a less doctrinaire G. O. P. position on foreign affairs.

When Morton took a reading of the 1966 results, he felt that the five new Republican Senators had a more progressive outlook on the world than the Senate leadership. Unless someone gave them adequate guidance, he foresaw a frustrated, estranged, disconsolate freshman class which otherwise had tremendous promise as a source of future leaders

Mr. Lisagor is the White House correspondent for The Chicago Daily News.

TRENDS: WASHINGTON MOOD

of the party. Although he has rarely finished last, Morton had a reputation as a "nice guy" among Republicans, an amiable, acquiescent, down-the-line good soldier. He had served as chairman of the Republican National Committee with a skill and even-handedness that kept extreme party factions in harness without unbearable chafing. In the Eisenhower years, he had been an Assistant Secretary of State for Congressional Relations and had marinated himself in the cold war with the Russians and other foreign policy problems. He was known to keep his counsel, and he could be counted on as a cooperative party man.

In a word, Morton was the least likely candidate to lead a muted rebellion against the established leadership. Moreover, he recognized that in Dirksen, the Republicans had a great character, an authentic institution, and perhaps the only figure that could have held them together after the Goldwater debacle of 1964.

But, without dramatics, Morton has taken on the task of moving out front, even at the risk of Dirksen's displeasure. His speech in behalf of the consular treaty with the Russians, on the Senate floor not only boldly challenged the leadership, but courageously bucked a flood tide of opposition from conservative and extremist groups which mounted one of the most intensive lobbying campaign in years to defeat the treaty. Morton was well armed; he knew that the plan for providing diplomatic immunity to U.S. consulate officials, on a reciprocal basis with the Russians, originated with President Eisenhower. He also believed that his own anticommunist credentials as an assistant to the late John Foster Dulles were unassailable.

• • •

Morton's speech broke the logjam and emboldened President Johnson to make a statement, after months of reticence, in support of the treaty, which subsequently was ratified handily. His success did not inspire the Kentuckian to start laying waste to old shibboleths and musty concepts within his party, but it did crystallize his thinking about some misconceptions and misapprehensions about the world, and about the problems of leadership.

"My party should recognize the fact that there are two destructive power centers in this world, and that unless we and the Soviets find an accommodation, we're headed for big trouble," Morton says. "Each of us has enough power to knock out the whole planet. We can't just sit around being afraid there's a communist under every bed."

In support of his advocacy of the Administration's East-West trade bill—an advocacy more outspoken, incidentally, than most Democrats have been willing to give it—Morton explains his approach as that of a "hard-boiled Yankee trader."

"Let's stop shivering and find out what's in it, what the potential is in hardheaded terms," he argues. "We're not going to give anything away, and we

might promote peace and put a cap on all this power lying around.

"In January, 1947, when I first took my oath as a Congressman, the cold war was setting in. Now where are we? I remember voting for a \$17 billion defense budget. Today, without Viet Nam, it's \$50 odd billion. Now, it seems to me, it's time for solutions, or at least the effort ought to be made."

Lest the notion get about that Morton has turned in his card as a practicing politician, he speaks of a lack of decisiveness in the Johnson Administration, of the calculated delays to promote consensus. "You know, I've come to respect old Harry Truman. He didn't wait for the polls to tell him what to do, to make up his mind," Morton says. "He may have gone broke in a haberdashery after the first World War, but it didn't shake his ability to act decisively. He never heard of a consensus."

The Senator clearly has in mind President Johnson's penchant for polls and consensus politics. He also thinks that the Viet Nam War, larger now than Korea and longer than any other in American history, ought to be treated as a conflict involving the concern of all Americans. Most people feel no sense of sacrifice, the Senator says, and maybe higher taxes would make them realize there is a war.

For himself, Morton recalls two recent experiences which shape his thinking about Viet Nam. He went to a Carolina beach to visit with his son's family, and as his grandchildren romped about, he became aware of how remote the war was from that "beautiful spot." Later, a woman from Kentucky came to visit him in his Senate office, seeking his help in finding out whether her husband was still alive. The husband was an American pilot who was forced to bail out over North Viet Nam when his plane was shot down. "That's when the war comes home to you, when a young wife comes to you asking for some comfort and help about her pilot-husband," he says.

• • •

The short-lived war in the Middle East created emotional tensions that virtually knocked out any consideration of the East-West trade bill in the first session of the Ninetieth Congress. But Morton thinks the "bridges" must be built to the Eastern European communist governments, as well as to Moscow. The fear of imported Polish hams must be overcome; the need for taking surefooted steps toward world peace is overriding, in his view. Eighty per cent of his mail deals with the issues of war and peace, he notes in support of his contention that the American people will approve an earnest, straightforward attempt to make agreements with the Russians and to move out of the frozen positions of the past.

Morton, at 60, has not developed into a maverick, a flame-throwing rebel who is bent upon overthrowing the present G. O. P. leadership in Congress. But at the same time, he is proving to his own satisfaction—and to the satisfaction of like-minded moderates in his own party—that a constructive Opposition can expose the pretensions and postures of the party in power by taking a reasonable lead.

Let's talk about TRUE ECONOMY and the Armco Building System

Economical doesn't always mean cheap. Many a building owner who thought he had a bargain found that maintenance costs drowned any savings he made with the "low" purchase price. How could anyone make such a mistake?

Maybe he never heard of Armco's STEELOX® exterior wall panels. Tests indicate the baked-on acrylic enamel finishes will hold their colors for 10 years without costly repainting.

Maybe he didn't know about Armco's ALUMINIZED STEEL ROOF. It far outlasts ordinary galvanized roofs and reflects up to 80 percent of the sun's hot rays to reduce air-conditioning costs.

Maybe he wants to expand, and it's going to cost him a bundle. If he had bought an Armco Steel Building he could expand easily—and use most of the original material on the expansion.

Maybe now you realize how much it can save you to investigate the truly economical Armco Building System. Write to Armco Steel Corporation, Metal Products Division, Department M-1347, P. O. Box 800, Middletown, Ohio 45042.



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Tell me more about the Armco Building System.


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Does democracy demand degradation?

BY FELIX MORLEY

The long, hot summer draws to a close and for millions of young Americans the reopening of school is at hand. For their teachers the months ahead promise to be as difficult, if not so dangerous, as those just past have been for the police.

Teachers in the public schools, regardless of color, are heavily burdened because on them has been placed a wholly disproportionate measure of responsibility for solution of the nation's racial problems. To give instruction in definable and comprehensible subject matter is their professional job. But this has been tangled and confused with the very different task of ameliorating deep-rooted social prejudice. Under this imposition, education suffers while bitterness between white and black does not diminish.

It is now more than 13 years since the Supreme Court decreed racial integration in the public schools. Apart from the city slums nationwide progress has been made in accomplishing a revolutionary merger that was sometimes highly distasteful. But administrative success has often been at the expense of educational attainment. In all of our big cities the quality of public education is incontestably lower than it was in May, 1954, when the Supreme Court assumed so much, so lightly.

• • •

It would be pleasant to deny this educational deterioration. In city after city, however, the virtual flight of children from the public schools undermines other explanations. In nearly all large metropolitan areas, the percentage of colored pupils will this year exceed the percentage of white, even when figures for the urban population as a whole are in reverse. The District of Columbia, where over 90 per cent of pupils are now Negro, is only an extreme case.

Mere prejudice may explain some of this mass migration of white children and the swing to suburban living is another factor. Very noticeable, on the other hand, is the increasing Negro enrollment at private and parochial schools. This emphasizes that the

problem of their public counterparts is more educational than racial.

Inferior education, signalized by dropouts, absenteeism, vandalism and depravity, is now characteristic of the decayed urban areas. It is partly a consequence and partly a cause of the festering blight from which riots emerge. In either case, close to the heart of the problem is the often well-appointed public school where any enthusiasm for teaching or learning, on the part of white or black, is usually rare.

Refusal to face this disgrace squarely will not remove it. On the contrary the spreading cancer will

PHOTO: WASHINGTON EVENING STAR



Dr. Carl F. Hansen, nationally respected school administrator, was forced out by court decision.

now yield only to expert and doubtless expensive surgery. Yet what we are getting, in defiance of the best professional opinion, is ever more insistence on the opiate of arbitrary integration, wholly without consideration of its effect on the quality of education.

Very much in point is the truly startling judgment handed down in June by Federal Circuit Judge J. Skelly Wright, sitting for the District of Columbia. For several reasons the verdict in this case, brought by a father of Negro school children against the Superintendent of Schools and the Board of Education in Washington, is of national import.

In the first place it declares that the federal courts,

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

TRENDS: STATE OF THE NATION

not professional educators, should decide the content, nature and methods of public instruction whenever a racial issue is raised. This alone makes educational policy, to quote Judge Wright's often extraordinary language, "a fit subject for constitutional damnation and judicial relief."

Then the judge, while admitting his own "regrettable" lack of educational "expertise," nevertheless insists that it is his duty to instruct the District of Columbia School Board in detail, since "constitutional rights hang in the balance," as indeed they do. Because of Judge Wright's personal attack, Dr. Carl F. Hansen, the nationally respected D.C. Superintendent of Schools, has resigned. In his opinion this case is a key part of a governmental plan "to take the schools out of the hands of the people and centralize their management on a national scale."

Judge Wright promulgates educational theories which, if widely adopted, would make the public schools mere factories for the gilding of ignorance. He looks with favor on huge "educational parks" where children could be herded by thousands for assembly line training. To divide them into "tracks" according to individual talent, or even to apply any kind of aptitude test, is undemocratic and undesirable because "it is virtually impossible to tell whether the test score reflects lack of ability—or simply lack of opportunity."

In short, the whole concept of competition should be toned down, if not eliminated from the public schools, since "in such a setting the race goes to the swift." It would follow that is a most improper way to run a track meet.

This Circuit Judge makes further application to education of what he calls "our maturing concept of equality." His verdict involves wholesale busing from the slums to suburban schools with higher standards. He even suggests that those who are backward should be transported across State lines if that "furthers the attainment of the goals of a democratic society." He "disavows any power to dictate" in such an unconstitutional step. He does not disavow the desire to do so.

• • •

Judge Wright's passionate and polemical opinion runs to 182 foolscap pages, in the course of which there are numerous observations of sociological value. But the "thrust" of the argument—to use a word the judge relishes—is that the quantity of integration is more important than the quality of education. If the two conflict, the latter must give way. Few teachers will be impressed by the characterization of this surrender as "democratic."

Seldom has the judgment of an inferior court stirred more widespread concern for the future of public education. But the reaction, from a careful reading of this essentially emotional opinion, is one of sorrow rather than indignation. As the *New Republic*, certainly not an unsympathetic journal, sadly comments: "It is no service to any worthy cause . . .

to issue in the name of the law promises the courts cannot redeem."

The net result of 13 years of energetic integration in the District of Columbia has been to diminish white enrollment in the public schools by more than 31,000 pupils. In some degree the same exodus is apparent in every northern city. Judge Wright practically ignores the reasons for this alarming phenomenon. He merely says that there is intolerable de facto segregation when Negro schoolchildren are in a 10 to one majority. But, short of closing Washington's booming private schools, what can be done about it?

The constructive course, one would think, is to concentrate on improving the quality of slum schools. This is being attempted by the MES (More Effective Schools) program and it is ironic that no big city superintendent has worked harder for this end than the now ousted Dr. Hansen. The contrary "thrust" of Judge Wright's argument is that good education is impossible in "the ghetto" because there it produces only "incapacitating trauma."

So, behind its pompous sociological jargon, this court opinion reveals an alarming failure to envisage the difficult problem of integrated schooling in either the breadth or depth which is essential. There is no suggestion that the primary requirement for pupils, whether white or black, is stricter discipline and harder study. There is no emphasis on the responsibility of the locality to salvage and improve those neighborhood schools that are traditional and basic in the American system.

There is no consideration of how ill-educated youth can ever find more than makeshift employment in a technological society, if its deficiencies are completely condoned by the de facto segregation which these deficiencies themselves encourage.

• • •

Although its rulings are scheduled to become effective October 2, it is proving very difficult to obtain any judicial review of Judge Wright's most unjudicial opinion. The suit was brought against Dr. Hansen in his capacity as Superintendent of the District Schools, and with his resultant resignation he has lost official basis for appeal. The effort, nevertheless, is underway, even at the risk of having the present Supreme Court apply the distorted reasoning to the nation.

An alternative and perhaps more promising approach would be through the President's special commission now studying the causes of urban rioting. Certainly the educational inadequacy of slum schooling has been a factor in these disastrous outbreaks. The commission headed by Governor Kerner of Illinois is unfortunately much stronger in political than in educational prestige. But it can at least listen carefully, as Judge Wright apparently did not, to what competent and racially unbiased educators say.

Whether black or white, there is one point on which they will certainly agree. Elimination of the competitive spirit would doom the public schools to mediocrity or worse. The effect would be as disastrous for scholarship as for athletics. Accepted degradation, of either mind or body, is indeed a hopeless approach to the solution of any human problem.



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"You can be sure if it's Westinghouse."

Did you know that the practice of using brand names and trademarks on products is under attack in this country?

That certain governmental actions and judicial rulings are moving implacably toward the possible destruction of brand-name marketing?

The great debate that is going on points up the issue of what trademarks and brand names really mean. But, there is, I believe, more instructive value in a look at Soviet experience with branded products than in all the tangled rhetoric expounded by lawyers, economists, professors, businessmen, and politicians in recent years.

A few years ago several Russian factories manufactured identical 17-inch TV sets. On more than one occasion, even though consumers were clamoring for more sets, many simply were not being bought. Inventories piled up. After a good deal of fruitless and wasteful searching for an explanation, the answer came. Because the public could not identify the factory source of any one 17-inch set, and one factory habitually produced "lemons," soon sales of all 17-inch TV sets fell. This refusal to buy was the public's only way to protect itself. But it threw the Soviet central economic plan badly out of kilter. Even worse, it caused a lot of public discontent with Soviet officials.

Factory Marks. It was at this point that Soviet trademarks began to appear. At first,

their function was little more than to identify (for the convenience of the authorities) the factory source, but the result was far more than the Russians bargained for. Here is what trademarking did:

(1) It enabled the consumer to choose the output of a plant with a good reputation, and to avoid the plant with a poor one.

(2) Though the sales of the factory with the poor reputation fell, and therefore it failed to meet its economic plan, this caused less economic dislocation than when the entire industry's sales had slumped previously.

(3) It resulted in consumer discontent being shifted from the political (Party) authorities to the trademarked plant with the poor quality.

(4) It created a form of consumer sovereignty—a way of giving the consumer the power to reward quality and punish shoddiness—by enabling him to identify easily the source (trademark) of the output.

In sum, trademarking rewarded quality and efficiency, and punished shoddiness and waste, by making it easy for the quality producer to sell his product because the consumer had developed confidence in his trademark. From experience, the consumer had, in effect, learned that "You can be sure if it's Westinghouse."

Further Developments. The Russians have, since this incident, expanded the practice of trademarking, or branding, the output of different plants. Soviet plant managers now guard the integrity and reputa-

tion of their trademarks with the vigor of Cossacks bearing down on revolutionaries. They safeguard the purity of their brands as sedulously as they watch their operating expenses. Their houses depend heavily on what happens to both of these.

The fact that the Russians have adopted brand names and, now, advertising simply reflects the fact that they are more responsive to the dictates of economics, technology, and good sense than to the muddled abstractions of obsolete philosophers. Moreover, the Russians have learned that with brand names, instead of economic planners having to establish arbitrary quality standards and hire engineers to enforce them, the sovereign consumer automatically establishes and enforces the high standards.

The net result has been not only an almost automatic and continuing improvement in Soviet consumer-product quality and design, but also an accelerating tendency to use brand-name advertising as a means of reassuring consumers about the quality and desirability of particular brands and therefore raising their sales and profitabilities.

The Soviet experience clearly demonstrates how the consumer can use the brand as a means of protecting himself and of punishing the producer of trademarked products that do not meet consumer expectations.

From an article by Professor Levitt, "Branding on Trial," in the Harvard Business Review, March-April 1966.

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They're not jobs for little men

BY ALDEN H. SYPHER

The sharp words sounded like another breakdown in the dialogues that precede failures in our pacification program. Not the five or six such programs that have petered out in faraway Viet Nam. The one that has failed so miserably here at home.

"That statement demeans your personal stature," the little man shouted angrily across the table. "It's disgraceful. You ought to be ashamed of yourself."

"Well, I'm not," shot back the other man.

"Then you don't have enough sense to be ashamed of yourself," snapped the first.

"That could go for the other side of the table," came the quick reply.

Another irresponsible wrangle between arrogant, militant aggressors in the poverty war and the administrators who accommodate them? No, this was another kind of poverty. The poverty of dignity in the proceedings of the government of the United States.

The little man with the sharp tongue is a member of the President's Cabinet, Secretary of Agriculture Orville L. Freeman.

What touched him off was a comment of Congressman William J. Scherle, Republican of Iowa:

"I sometimes wonder if the Administration isn't hoping the war will bail out you people and your farm problems."

Should that remark bring a loss of self-control by a Cabinet member? It hardly seems likely in a land where so many politicians and political hopefuls examine not only its side effects, but the war itself, for politically popular positions.

The fact is Secretary Freeman has been having a rather difficult time wherever he goes recently. His patience, as well as that of some others, is wearing a little thin.

Before the Senate Subcommittee on Employment, Manpower and Poverty, Secretary Freeman had just learned there is not only hunger, but plain outright starvation in the nation he serves.

More people in all of Mississippi's 82 counties are participating in federal food programs than in any other state. That's according to statistics.

Mr. Sypher, a lifelong journalist, is the former editor and publisher of NATION'S BUSINESS.

But facts make awful liars of federal statisticians when you hear the quiet, unemotional testimony of Dr. Raymond M. Wheeler of Charlotte, N. C., a southerner by birth and education, who with two other doctors went to Mississippi and found:

Malnutrition?

"We do not want to quibble over words, but 'malnutrition' is not quite what we found. The boys and girls we saw were hungry, weak, in pain, sick. They are suffering from hunger and disease and directly or indirectly, they are dying from them. Which is exactly what 'starvation' means."

Mississippi's two Senators, who had vigorously denied the existence of such conditions in their home state, were listening to the doctor.

"I invite Senators Eastland and Stennis to come with me into the vast farmlands of the delta, and I will show them the children of whom we have spoken," said the softly speaking doctor. "I will show them their bright eyes and innocent faces, their shriveled arms and swollen bellies, their sickness, and pain, and the misery of their parents."

The Senators from Mississippi had no further questions.

• • •

All this was news to Secretary Freeman, who is responsible for the federal food programs.

He was not alone in his ignorance.

"If the statistics show the situation in Mississippi is good, what must it be like in the rest of the country?" said a Public Health Service official.

No one knows.

Dr. William H. Stewart, the Surgeon General of the United States, didn't know what hunger or starvation exists in this nation today, although some government agencies and the United Nations staff have gathered considerable information on hunger in the rest of the world.

Neither does John W. Gardner, the Secretary of Health, Education and Welfare, know.

Nor does Sargent Shriver, the director of LBJ's war on poverty.

So they testified before the Senate subcommittee.

It was at another committee hearing where Secre-

TRENDS: RIGHT OR WRONG

tary Freeman demonstrated his fast draw for a shout-out.

The House Education and Labor Committee had asked him to give members his judgment on a proposal to divide the Office of Economic Opportunity programs among more established departments, like Labor, Agriculture, and Health, Education and Welfare.

None of these old-line departments wanted any part of the OEO programs. For this sad bundle of broken political promises is the Administration's war on poverty. A war in which it is regularly losing violent battles in which death comes for some as brutally and finally as in any other war. It is a war in which a policeman has been kicked to death in the street by a mad mob. A war in which gangs of men and boys act like senseless apes to demonstrate, they say, their right to be treated like men.

So if there is to be a political hanging, the established department heads said in effect, they had no desire to steal any part of the show from Mr. Shriver.

But they said it prettily.

"This nation cannot afford to discard the experience

PHOTO: GPO



White House spokesmen like Agriculture Secretary Freeman bicker often with Administration's critics.

and the spirit of the OEO at this crucial time," said Mr. Freeman.

Labor Secretary W. Willard Wirtz played the same tune at an earlier session.

It took Secretary of the Interior Stewart L. Udall to lay it straight out on the line, whether or not he intended to.

"Some people in our department consider OEO a gadfly," he said. "But we came to realize that you need a gadfly in this kind of program. They're supposed to be a gadfly and stir things up."

If Sargent Shriver and OEO are to be given credit for what's been stirred up, it's time they reassessed their methods and mission.

• • •

Other Cabinet members were having difficulties, too. Secretary of State Dean Rusk linked peace with

foreign aid when he testified before the Senate Foreign Relations Committee on behalf of the President's request for \$3.1 billion for military and economic aid.

Without reviewing the past 20 years, in which this nation has spread nearly \$80 billion around the world in its quest to buy peace on earth and goodwill among men, Mr. Rusk said the United States could not afford to let the question of war and peace be determined by others.

If dollars reserve that right to us, who's been starting all these wars? Have we?

Sen. J. W. Fulbright, Democrat of Arkansas, suggested the Secretary's talk of a durable peace seems a little contradictory in view of the war in Viet Nam.

"It's not contradictory at all," replied Mr. Rusk. "We have to get across the idea to those bent on aggression that there is no future in it."

Like the durable peace we've bought in Egypt for \$1,143,000,000 in foreign aid from 1945 through 1965?

Like the Middle Eastern war in which Israelis and Jordanians blasted at each other in U. S.-supplied tanks?

Like the peace and friendship we've purchased in India and Pakistan for \$8,940,000,000?

Or the respect and cooperation we've bought in France for \$4,239,000,000?

Like the peace, stability and goodwill we built in Greece for \$1,679,000,000?

Durable peace through foreign aid appears to be a difficult idea to get across.

Mr. Rusk might find less difficulty and more future in selling foreign aid on other grounds.

• • •

Secretary of Defense Robert Strange McNamara was having less difficulty in getting his ideas across, although what future there is in them still remains to be seen.

After his ninth quick trip to Viet Nam, Mr. McNamara announced that better utilization of troops would bring about greater efficiency in the fighting there. It seems that because of this the 100,000 more men the field generals had said earlier they needed could be cut to 45,000 or so.

So in this way Mr. McNamara took over the strategy and responsibility for field operations, for manpower determines these, in the war he said several years ago had only one more year to go.

In an unusual scene at the White House, President Johnson called in the press to photograph the top command, and to hear him say:

"The troops that General Westmoreland needs and requests, as we feel it necessary, will be supplied.

"Is that not true General Westmoreland?

"General Wheeler?

"Secretary McNamara?"

And each in his turn came up with a good, strong: "Yes, sir."

Somehow the scene was remindful of the performance of Lt. Comdr. Richard A. Stratton, a Navy pilot shot down last January and exhibited in April as a prisoner in Hanoi.

During the exhibition he bowed deeply on signal to higher authority.

He is generally believed to have been brainwashed.



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MORE JOBS FOR NEGROES

Quietly, across the face of America, business and industry are taking the initiative to shatter barriers of discrimination so that thousands of Negroes are being employed and trained.

This effort is having notable success even in cities rocked by racial violence where the militants lay the blame for civil disobedience largely on the supposed scarcity of job opportunities for Negroes and other minorities.

Many employers are finding it is good business to seek out what are sometimes thought of as unemployables. It is taking some of the so-called disadvantaged poor off relief rolls, even some criminal elements off the streets and is providing management with a source of potentially skilled workers.

At the same time, businessmen are fast becoming aware that some hiring practices they previously swore by not only are no longer effective but in many cases are actually interfering with job-recruiting programs.

For example, tests which many employers use to screen job applicants are proving useless when dealing with people from the slums.

Or that the standard requirement in some companies—that job seekers have high school diplomas—is virtually worthless when the applicant is being considered, say, to work only with his hands on a production line.

For one reason or another the average slum dweller avoids downtown employment offices and the unfamiliar surroundings of the company personnel office. But in their

own neighborhood they will line up to apply for jobs.

At a recent meeting in Chicago, called by the National Citizens' Committee for Community Relations and the Community Relations Service of the Department of Justice, some 200 business representatives told how their companies are reaching out to give jobs to the underprivileged and disadvantaged.

The national citizens group—composed of 440 leaders in business and industry, education, the professions, religion, communications and labor—was appointed by President Johnson following passage of the Civil Rights Act of 1964. Its purpose is to enlist the private sector to try to bring about equality for all Americans.

There have been failures, yes, and some businessmen still refuse to alter their hiring practices. But the successes far outstrip the failures.

Helps community, too

The results are not only beneficial to the employer but to the community as well. Thousands of Negroes have been taken off the relief rolls, cutting down the cost of welfare programs, which currently cost an estimated \$3.1 billion in federal funds. Now the Negro has become a more useful citizen, paying taxes and buying the products of industry.

The State of Illinois, working closely with the business community, has been able to reduce its relief case load from 462,000 in 1963 to 402,000 today, whereas nationally the number receiving federal welfare rose in the past five years from 6.4 million to 7.7 million. Its manpower

er training programs alone have graduated 2,800 welfare clients into jobs. Mayor Richard J. Daley of Chicago estimates that this is saving \$1.2 million in Cook County annually.

Here are what some companies and organizations set up by businessmen are doing to recruit and train Negroes and other minorities:

Pacific Telephone & Telegraph Co., troubled by the small number of minority applicants, decided to act. It set up an aggressive recruitment program, working with the Urban League, churches, schools and other community sources. Since job applicants weren't coming to PT&T the company went to them. It sent Negro and Spanish-speaking recruiters out into stores, barbershops, beauty parlors, pool halls. Anywhere people congregated.

PHOTOS: FRED RAFLAN. IVAN MESSAR—BLACK STAR



Station KXTV in Sacramento offers free air time to bring employers and out-of-work teen-agers together. Philip Brunstetter of Aerojet-General Corp. (right) serves as host and moderator of the television program.

The job seekers finally came in. The program could have fallen apart right there. Many could not pass entrance tests. They lacked understanding of the most basic skills. But the company launched a series of training courses. Very early in the game it found that while some could not get past the tests, they did demonstrate potential.

Training the recruits

In the initial training course students were placed in reading and math classes and told how to improve their personal appearance. At the same time they were given a general indoctrination into what the telephone industry is all about. Eighteen of the 20 men and 21 of the 22 women in this first group went on to become full-time employees.

In 1962 Pacific Telephone had slightly over 4,300 minority workers on its payroll. Today it employs over 8,000. The number of supervisory, professional, sales and technical jobs held by minorities has increased fivefold since the company instituted a policy of upgrading its employees.

At one time Pacific Telephone would not hire anyone with a police record. Now it takes a second look at these people if they show promise and have a good work background. It reports no difficulty since it began hiring them five years ago.

Metropolitan Life Insurance Co. of New York City has a job recruiting program similar to Pacific Telephone. It recruits through the Urban League, social agencies and Harlem organizations. Even if an applicant fails the employment

exam, but shows good native intelligence, he is put through a 13-week training course. Later, he is given so-called culture fair tests. Here, the company has found that Phi Beta Kappas can't be distinguished from bright high school students.

Earn while you learn

An unusual training program at the Polaroid Corp. in Cambridge, Mass., is paying off handsomely. While the company previously required a high school diploma or the equivalent it now will hire the underprivileged Negro and allow him to earn that diploma on company time and at company expense.

Polaroid and some 700 other companies that make up the Greater Boston industrial complex are constantly on the lookout for skilled workers. To find them they recruit through industry associations, chambers of commerce and a unique organization called Jobs Clearing House. A voluntary no-fee agency, JCH was set up by Thomas J. Brown, assistant to the president of Polaroid.

"We place everyone from custodian to nuclear physicists and we do it with the cooperation of other companies in the area who want people and who do not know how to go into the community and get them," says Mr. Brown.

Seven hundred companies in the area list job openings with JCH. It currently has 4,000 jobs posted. JCH was organized four years ago after a number of companies, which watched the success of Polaroid in hiring Negroes, approached the camera manufacturer and asked, "Look, what do we do?"

Impressed with the work of JCH, numerous firms in the Boston area have loaned scores of their top administrative people—from personnel experts up to vice presidents—to the clearinghouse to conduct interviews.

Interviewers learn quickly that the technique of processing a Negro job applicant cannot be done in the



Jobs Clearing House works closely with 700 firms in Greater Boston industrial area to help find jobs for disadvantaged Negroes. Thomas J. Brown, a Polaroid Corp. executive, interviews a young job applicant anxious to take his place in industry.

MORE JOBS FOR NEGROES *continued*

traditional manner. Among other things, the Negro, particularly if he is from a slum area, must be made to feel at ease. Otherwise there is no communication.

JCH has a rigid set of rules in this respect. Mr. Brown explains, "The ones who interview the females don't wear expensive jewelry, don't wear expensive clothes the days they are going to interview at the clearinghouse. The men do not come with the big horsey college ring or \$150 suits. If they do, they do not do it twice, because I won't permit it."

At the Western Electric Co. plant near the scene of the recent vicious racial rioting in Newark, N.J., an apprentice program was launched in 1937 to train machine-shop operators. At first the ratio of trainees was 80 per cent white to 20 per cent Negro. Since Western Electric began actively recruiting Negro trainees a few years ago, the ratio is now exactly the reverse.

Equipment used in the training program came off the scrap heap and thus cost the company nothing. So far Western Electric has laid out \$10,000, primarily for instruction expenses. This is just about what it had been spending unsuccessfully on newspaper help wanted advertising.

Why has the program been so successful? Primarily, the company believes, because the jobs being trained for are in immediate de-

mand, the instructors have the authority of success and experience behind them and the classwork is tied directly to its application on the job. But more than that the volunteer trainees themselves are highly motivated.

In Chicago the industrial community sponsors the Jobs Now Project which reaches out into the city's worst slums to work with roving street gangs. This is no place for the do-gooder because these are tough youngsters and they know the score.

Talking their language

Bruce Cole, director of JNP, talks their language. As he put it, "Jobs Now is a beautiful title. It says something to the kid. It also spells Job Snow and a 'snow job' is exactly what we risk delivering if we don't come up with the jobs."

Essentially, JNP is not concerned with hiring a person on an "equal opportunity" basis. Merit employment is the keystone of its effort.

When a prospective employer is approached he is asked to forget the social aspect of giving these youngsters—practically all school dropouts—a job but to gamble that a substantial number of them after six months will prove to be good workers.

"We ask them," says Mr. Cole, "to waive all the normal standards that have been set up to sort out whom you hire and whom you don't

hire, to forget the high school diploma."

Also, an employer is urged to overlook a youngster's police record. In Mr. Cole's view, "It is pure luck if you don't get arrested if you grow up in the slums of Chicago or in the slums of any other city."

Aptitude tests are out. With their background of slum upbringing these youngsters cannot show their real potential on the basis of most tests now in wide usage. Many companies today rely on the General Aptitude Test Battery (GATBY) which is pushed by the U. S. Employment Service.

According to Mr. Cole, "Gatby is a great test, if you read at the sixth grade level. But we have kids that can strip a car in 10 minutes but cannot pass the mechanics' aptitude test."

Television is being used successfully in Sacramento, Calif., to bring together employers and out-of-work Negroes. Four times a week station KXTV donates free air time not only to help find jobs for the unemployed but to acquaint business with the problems of Negroes seeking jobs.

This is part of an over-all job-matching campaign sponsored by the Sacramento City-County Chamber of Commerce.

C. S. Woodruff, acting general manager of Pacific Telephone Co., who conceived the idea, said at the time the program was launched:

"Business has realized there is no forum to talk about minority employment problems. We need to communicate in the business community and share our experiences on employing members of minority groups."

Dr. Philip Brunstetter, manager of organization and personnel development for the Aerojet-General Corp., moderates the TV show on which job-seekers, employers and government representatives regularly appear.

Left it up to business

Two years ago in Indianapolis the Center for Independent Action came into being. It was a new approach to finding jobs for the disadvantaged. The concept was to let the business community carry the ball completely. No attempt was made to bring in other segments of community life.

Twenty-six of the largest businesses in Indianapolis were asked to produce a nucleus of talent for the new organization. The top man in each business was placed on a steering committee.

Next, every business in the city—some 500 in all—which employed five or more employees was called upon to sign a pledge which said it would do more than the minimum the law requires in making jobs available. This accomplished several things. Among others it informed the community that business meant business about helping the disadvantaged.

After the program was moving along smoothly the center put on a "job fair." It was very successful. More than a hundred employers listed some 2,000 job openings. An estimated 20,000 people were on hand during the two days of the fair.

Surprisingly, 3,400 persons showed some degree of interest in the job offerings.

For the actual interviews 2,000 turned out. The net result: 560 jobs filled.

Other similar "job fairs," sponsored by local chambers of commerce, have been held in several other cities around the nation.

William Johnson, executive vice president of the Center for Independent Action, reviews the results: "It proved to the community that business did want to talk to the disadvantaged groups. We worked very hard with all the employers to make sure that the jobs they listed and their interviewers and the whole system was gauged to the needs and

expectations of the minority groups who came to them."

In Chicago, an employment agency, FEPCo., Inc., has launched an Eager Beaver campaign to encourage 1,000 Chicagoland firms to hire—one by one—1,000 highly motivated young Negro men and women for white-collar on-the-job training.

William A. Dasho, president of the firm, describes Eager Beavers as the thousands of young Chicago Negroes who do not have ample work experience to pass cut-and-dried "employability tests." They aren't being hired because they lack experience. They can't get the experience until they are hired. It has become a vicious circle.

A number of Chicago firms are cooperating in the Eager Beaver campaign by waiving rigid requirements for Negro employees and hiring purely on the basis of potential.

Reaching the rejects

Some 200 major industries in Los Angeles support the work of the American Society for Training and Development whose main thrust is to create job programs for the unskilled. Operating from one office in the downtown Los Angeles Chamber of Commerce and another in the middle of Watts, scene of fierce rioting in 1965, the program serves as a bridge between employers who need workers, the unskilled who need jobs and various private and public job training agencies.

Top industry officials lend their skills. ASTD's director is Dr. Carl B. Kludt, on leave as manager of personnel development for Hughes Aircraft Co. (At Hughes he ran a pilot project which successfully trained 120 hard-core unemployed for drafting, electronics and clerical positions.)

ASTD stepped in where previous job programs left off after taking the "cream" of the unemployed. What remained were people at the lowest levels who required special preparatory training in such basics as speech, grooming, attitudes, reading, even how to find and get on the right bus.

It is no surprise so many major industries are behind the work of ASTD. A recent survey showed 40,000 unskilled jobs unfilled in the Los Angeles area.

Los Angeles now spends more than \$1 million a day, or \$400 million yearly, on welfare. Getting these people jobs would lessen the financial burdens and enable those

hired to pay taxes on their own. Another New York insurance company, Equitable Life Assurance Society of the United States, a few years ago began hiring high school dropouts, at first with notable failure.

The next year supervisors began working with the dropouts, teaching them as they went along, and there were fewer failures.

The third year the company instructed its supervisors to go one step further and try to prepare the young dropouts for promotion and better jobs.

Now the program was beginning to show encouragement.

By the fourth year Equitable Life was convinced basic education was the key. It hired the Board of Fundamental Education to teach the youngsters—after working hours—basic reading, writing and arithmetic so they could pass high school equivalent exams. Seventeen boys are now completing this course. Two are considered college material, six will be candidates for company jobs and four others are expected to be hired by other firms.

Phillip H. Vogt, professor of sociology at the Municipal University of Omaha and for 20 years director of welfare in Douglas County, Nebraska, prepared a report on the Chicago meeting of business and civic leaders in which he notes:

"It is apparent that the array of programs now under way in behalf of the poor and disadvantaged minority groups, largely by the government, are producing minimal results.

"In fact, we are not certain what programs may be successful, partially so, or are failing.

"The social scientists are either not being used to evaluate the programs or, when they are, the operators and politicians refuse to accept their findings unless they support earlier assumptions."

Businessmen hold the key

Mr. Vogt says it is apparent that only the ingenuity and resources of business and industry "are such as to provide sufficient impact and coverage to make a real dent on the social ills of our great urban centers."

At the same time he couples this with a warning:

"If business and industry fail to accept this responsibility, then government will continue to expand the welfare state, with continued blundering and waste, and the eventual loss of the uniqueness of American life."

END



Associate Editor Robert W. Irelan talked with oceanography experts, went below before writing article.



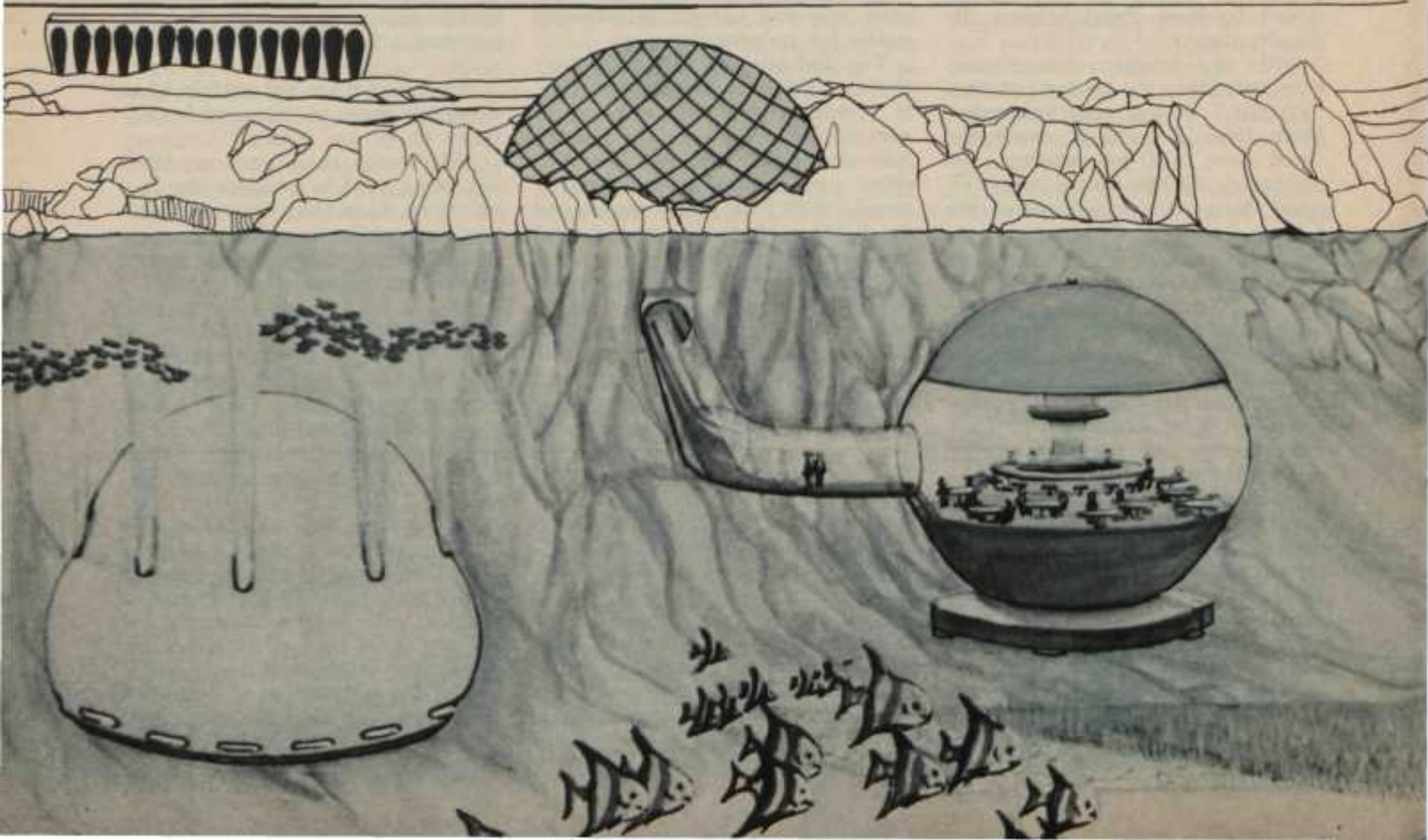
Andres Pruna, artist-diver, did sketches for this article. He's an oceanographer, future aquanaut.

OCEANS BECOMING EVERYBODY'S BUSINESS

Private industry is diving in with billions to accelerate the future

Underseas power plants not only will generate energy but warm the water and shove nutrients up so fish feed close to the surface.

Spending the night at an aquatel will be routine in near future. You'll be able to dine and dance while curious fish look in at you.



Cranking the hatch tightly shut with one hand, crew-cut Al Rutherford reaches for the phone with the other.

"Topside, Star II permission to dive," he calls.

"Clear to dive, Star II," comes back the answer from the support ship Gemini, standing by several hundred yards to the portside and rocking gently in the waters of Long Island Sound.

"Roger, topside," Al responds. He floods the auxiliary ballast a little, and the dive begins.

You feel movement, but no pressure. The submersible keeps you in shirt-sleeve comfort while the pressure on its outer shell adds nearly a half a pound per square foot with each foot you dive. The air you breathe is constantly cleansed by a contraption that removes the carbon dioxide waste.

You look out through portholes at eye level and beneath your feet.

As Al, the chief pilot, brings the two-man sub to a soft landing on the bottom, you find yourself staring eyeball-to-eyeball at a curious flounder.

Al hands you the underwater telephone receiver and you broadcast the news to the Gemini crew. Then he passes you the controls, which are as portable as a radio, and you maneuver the craft for awhile just above the level, silty bottom.

Star II is only 17 and a half feet long. Its inner chamber cramps even two people. Like a spacecraft, controls dot the dash board, and auxiliary systems

back up the primary ones in case of failure. Aboard Gemini after the dive, you are alternately congratulated and kidded. You have "gotten wet," as they say, have gone down into the sea.

You are in good company. For some 300 of the largest U. S. corporations have "gotten wet" to the extent of recognizing the potentials of the oceans and gearing operations toward them. Enterprises like General Dynamics Corp., whose Electric Boat Division builds the Star II and a family of other submersibles, or mini-subs, Westinghouse Electric Corp., North American Aviation, Inc., and General Motors Corp. Altogether, probably 750 companies offer products and services in ocean science and technology, and new ones are born every week.

Exploration and exploitation of the oceans is no longer a far-off dream. It's happening—and its development is a necessity.

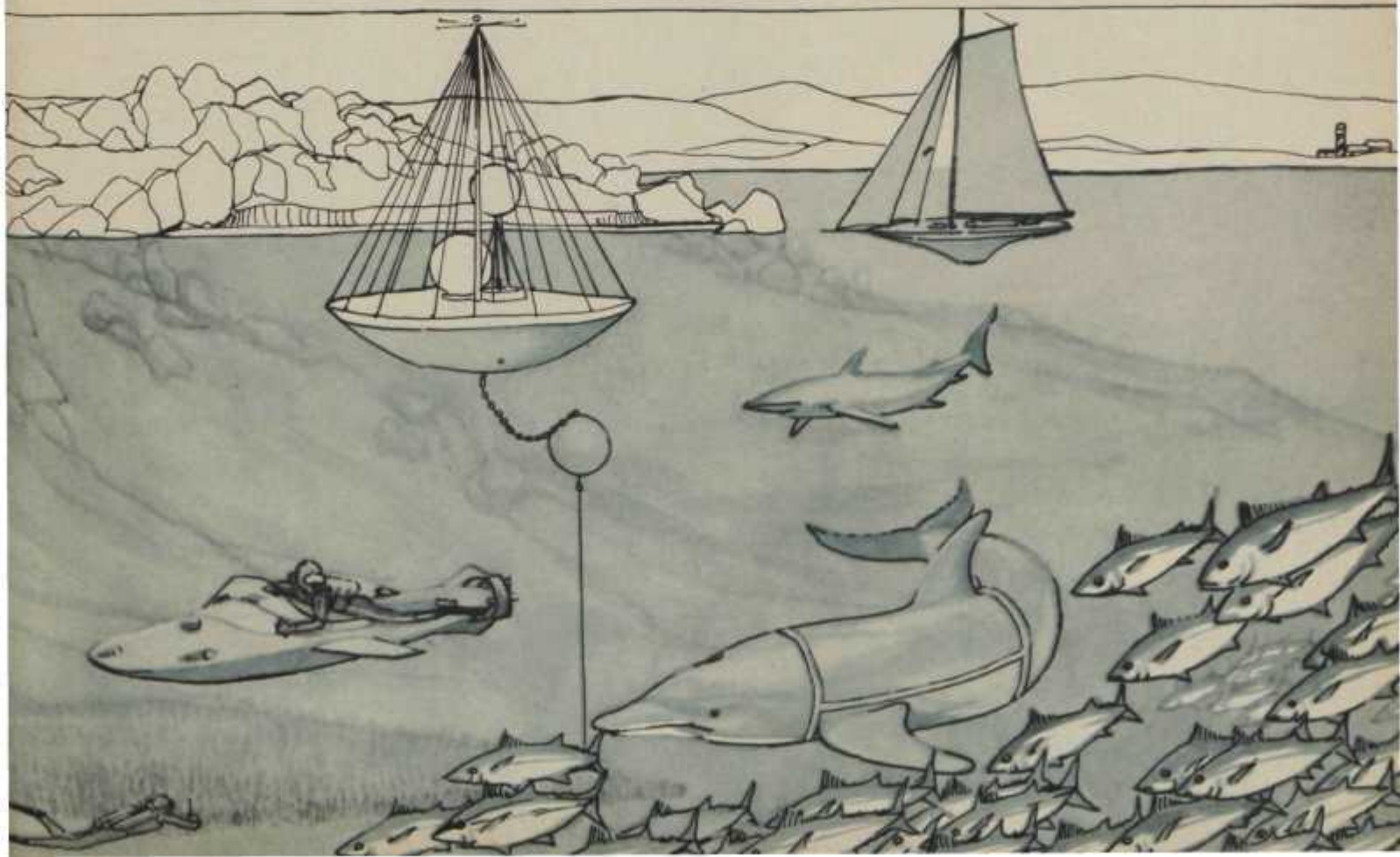
It's nothing like the space race. There everything is federally funded, federally controlled. Profits come from building hardware and communications gear, from supplying technical expertise. Government is the customer and the boss.

"Money spent learning about the oceans and in developing ocean technology promises a return on our investment through the exploitation of the natural resources there; money spent in space has an economic impact only so long as the curiosity of nations remains high," is the way Paul M. Fye, director of the

Diver rides one-man taxi down to check on crop of high-protein aquafarm vegetable.

Giant weather buoys offer more reliable forecasting which could save business millions in storm damage.

Scientists are studying the natural sonar of dolphins and hope to train them to shepherd schools of fish.



OCEANS BECOMING EVERYBODY'S BUSINESS

continued

27-year-old Woods Hole Oceanographic Institution, puts it.

"The blunt economic truth is that man in the sea is likely to prove much more important to this country than man on the moon," agrees Humble Oil & Refining Co. President Charles F. Jones.

The oceans are the last frontier for man to explore on this planet. Since they cover about three-fourths of the planet, there's plenty of room for exploration.

They hold mineral resources whose wealth is beyond comprehension. They offer the opportunity to quench the thirst of billions, to irrigate arid wastelands. They open up new challenges to transportation engineers, to communications carriers, to makers of all sorts of instruments, equipment and computers.

They offer the only hope of being able to feed a population that will probably double by the end of the century.

Their tides can be harnessed to produce power.

To meteorologists, they offer the opportunity not only to predict weather accurately but perhaps to control it.

They are a key to national defense.

And getting and keeping man down under challenges the genius of makers of materials from steel, to glass, plastics, aluminum and titanium. The oceans promise an enormous new source of jobs, a revolution in education, a vast recreation resource. Medicines from the seas may cure hitherto incurable diseases.

All this and more is what private business is com-

peting for. It's pouring billions of its own money into research and development as a foot in the door to future profits.

Business pioneers

"Congress expects the federal government to assume leadership because of national security and international agreements, but private industry will develop the oceans," says Dr. Edward Wenk, Jr., the handsome, graying executive secretary of the National Council on Marine Resources and Engineering Development.

Dr. Wenk talked to NATION'S BUSINESS about the council, one of the government's newest arms, in his Washington office. Dr. Wenk admits it's quite a job for the council, created 15 months ago, to see that the 11 federal departments and agencies with an active stake in oceanography "don't run off in 22 different directions."

Although Washington's budget for ocean science is growing, it's small by most federal standards. President Johnson asked \$462 million for the current fiscal year, compared with \$5.3 billion for space. In fact, the government makes more from the oceans than it spends on them. In the years 1960-64, oil and gas royalties to the government were three times its investment.

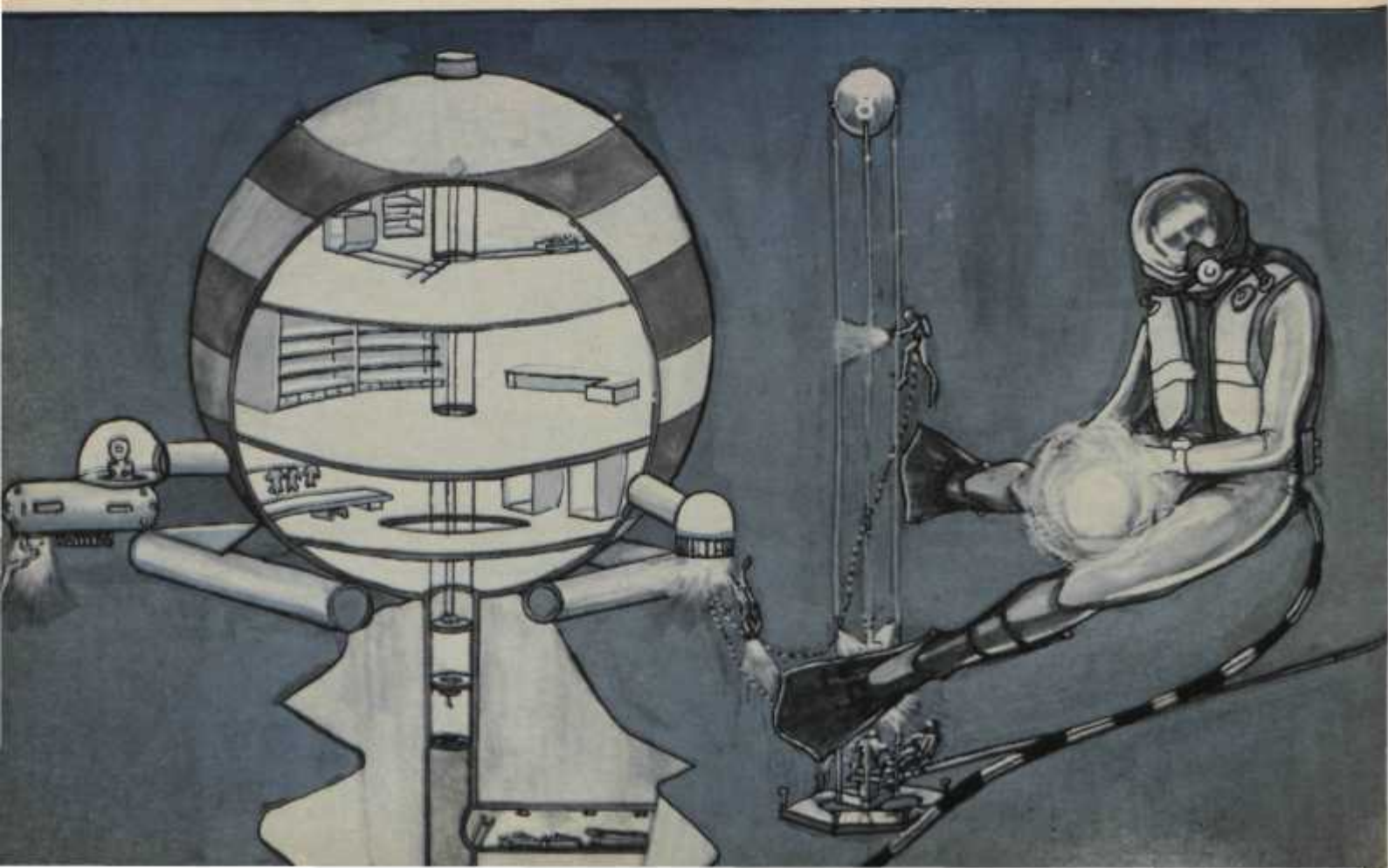
Commercial success in the oceans hasn't just happened; it's the result of vision and hard work by American business.

"It's a long-range proposal, not something that's go-

Mining the ocean's bottom is already being done and will grow as minerals on land get scarce, costly.

Entire oil rigs will be set on ocean floor in the near future, free from waves and hurricane destruction.

Divers breathe new mixtures of gases, wear advanced suits to dive ever deeper.



ing to pay off next year," Donald C. Burnham, Westinghouse Electric Corp. president, told NATION's BUSINESS. "You can talk about these things all you want. But to make it matter, you really have to be doing something," he adds.

Westinghouse is. It's developing a fleet of Deepstar submersibles, the sturdiest of which will be able to dive 20,000 feet—a capability that will permit it to serve all but two per cent of the oceans' depths.

Westinghouse also has a Cachalot (named for the deep-diving sperm whale) diving system that allows divers to work at depths to 600 feet for a week or more without time-consuming decompression.

Cachalot was successfully used to repair trash gates in 200 feet of water at the Smith Mountain Dam in Virginia. Using conventional diving techniques, the job would probably have taken eight to 10 months; with Cachalot, it took two and one half.

General Dynamics has a leg up on many of its competitors because it has been in the submarine business since 1900, when it delivered the Navy's first. It built the Aluminaut for Reynolds International and Alvin II for the Navy. It's working on a top-secret nuclear-powered sub for the Navy now.

Many firms in field

Big and little businesses compete in submersibles.

Giant Lockheed Aircraft Corp. recently launched its Deep Quest submersible that can carry four men to 8,000 feet. Lockheed is also building a submarine rescue vehicle for the Navy.

"We got involved in underwater technology back in the late '30's when we built an antisubmarine air-

plane," explains Lockheed's Finance Committee Chairman Courtlandt S. Gross. "We saw we couldn't leave the subsurface to others and just take the above-water part. Gradually we got deeper and deeper."

General Motors Corp. has designed its own deep ocean work boat that will be ready this fall for scientific research, recovery operations and surveillance down to 6,500 feet.

Competing with these giants is an outfit called Perry Submarine Builders, Inc. It's an offspring of John H. Perry's main business of newspapers and radio and television stations. The first Perry sub was from odds and ends, including a car steering wheel. Now Perry supplies other companies with subs.

Biggest newcomer

Ocean Systems, Inc., is probably the biggest new company in the ocean industry. Formed early in 1965, it is owned 65 per cent by Union Carbide Corp., 25 per cent by General Precision Equipment Corp., and 10 per cent by oceanologist Edwin A. Link. The company provides diving services to oil companies operating offshore, and has inspected miles of underwater communications cable. It buys subs from Perry.

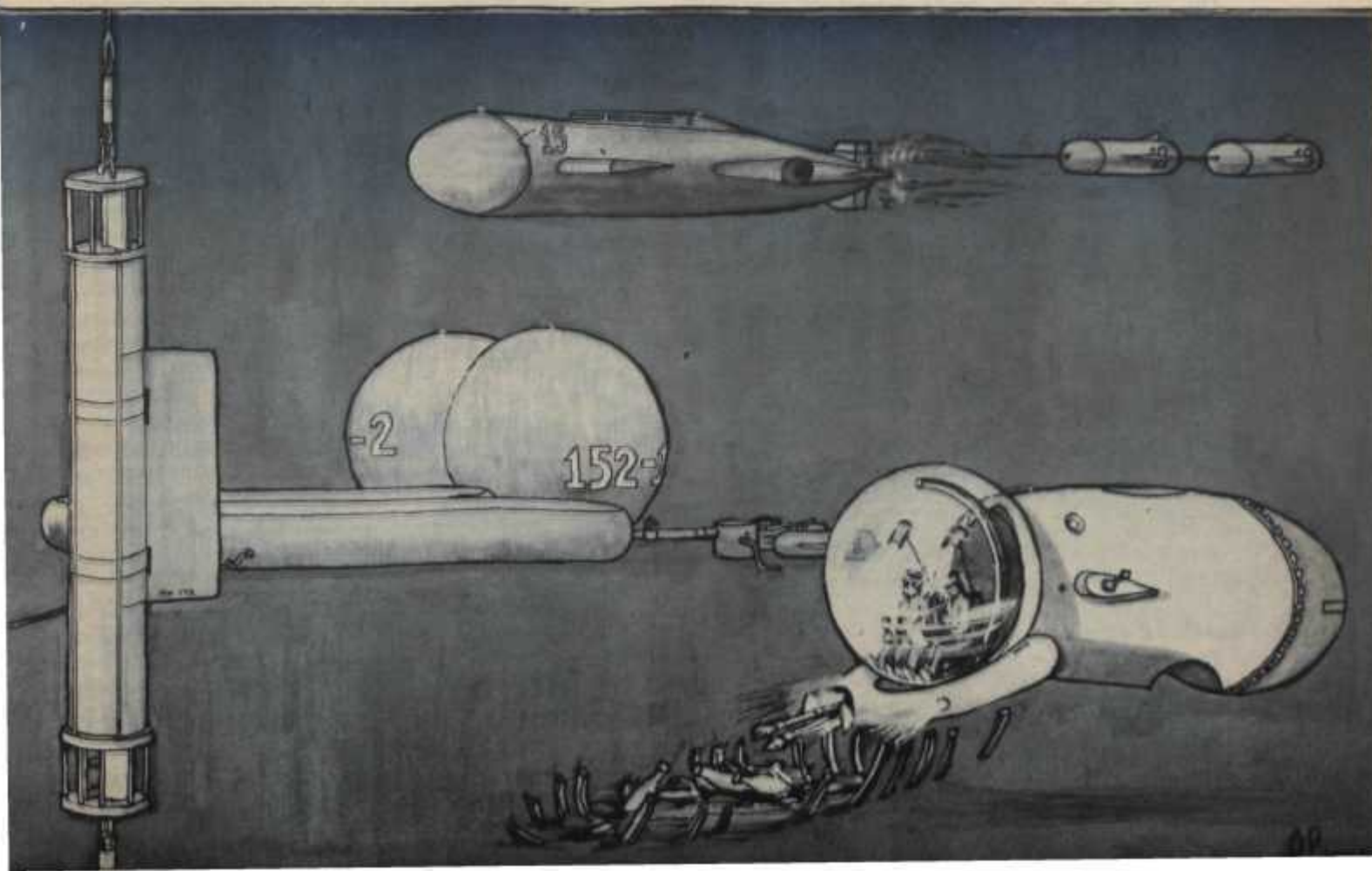
North American Aviation, Inc., is building a sub called Beaver IV, which is primarily a research vehicle but will be able to do underwater construction, salvage, rescue, mapping and biological and geological sampling.

Sprawling Litton Industries, Inc., built its own midget submarine, Alvin, the craft that finally located the hydrogen bomb off Spain's coast. "We're doing considerable research in the whole field of ocean-

Current meters and gauges to measure temperature solve age-old mysteries.

Gas and oil pumped from ocean's floor can be safely stored in underwater tanks.

Traveling underwater, submarine tankers will shorten routes; other subs will mine bottom.



OCEANS BECOMING EVERYBODY'S BUSINESS *continued*

ography," Litton Chairman Charles B. (Tex) Thornton told NATION'S BUSINESS. "The nuclear subs of today are the forerunners of submarine tankers that will move back and forth under the weather."

"In the field of small research subs, we're way ahead of the rest of the world," says Dr. Wenk. Sound evidence of this came when Russia offered to buy General Dynamics' Star III; the State Department scotched the deal.

This time next year, there'll probably be 50 American-owned submersibles operating. "But in 10 years," predicts Jacques Piccard, the Swiss oceanologist who has dived to the deepest known part of any ocean, "we'll need hundreds, perhaps thousands."

Dr. Piccard is under long-term contract to Grumman Aircraft Engineering Corp., and next summer will take the PX-15 sub he designed for the company and drift with the Gulf Stream from Florida to Nova Scotia.

Offshore oil's big business

Of all the resources held or covered by the sea, oil is being most exploited. Offshore oil business is big business. Already petroleum companies have invested \$6 billion in the waters off the United States, and nearly 9,000 wells have been drilled.

Says T.W. Nelson, Mobil Oil's senior vice president for exploration and producing, "the cost of drilling off Louisiana is rapidly approaching \$2 million a day."

But while five million barrels a day, or more than 16 per cent of the free world's daily production, comes from beneath the seas, much more will be needed in the future.

Oil and gas is now being sought in the Gulf, Alaska's Cook Inlet, the California coast, the North Sea, Persian Gulf, Red Sea, Mediterranean Sea, Australia, Africa, Norway, Mexico, and along both the Atlantic and Pacific coasts of South America.

Giant rigs mounted on fixed platforms or floating barges, some of which cost as much as \$10 million apiece, do the offshore drilling. But in not too many years, it'll be done on the ocean's floor itself, down below the severe storms that in the past three years brought \$56 million of damage in the Gulf of Mexico alone.

Oil in the future will be stored underwater and either piped or transported by submarine tanker to shore. Chicago Bridge & Iron Co. has designed a 30,000-barrel, ring-like storage tank for Tenneco Oil Co. to store crude pumped from wells 70 miles offshore in the Gulf.

John E. Swearingen, chairman of Standard Oil Co. (Indiana), believes an increasing proportion of new oil and gas is going to have to come from the continental shelves of North America. "Events in the Middle East demonstrate the wisdom of this."

Desalting a growing field

Desalting of water is becoming cheaper, while most other ways of obtaining pure water are not. A 2.6 million gallon a day plant is now meeting the needs of Key West residents. Prior to construction of the

plant by Westinghouse Electric, Key West got its water pipelined from the mainland, and had second call on it—after the Navy. The cost there is 85 to 90 cents a 1,000 gallons.

By 1973, a massive \$444 million plant erected on a man-made island off the coast of Southern California is scheduled to be producing 150 million gallons of fresh water a day for 22 cents a 1,000 gallons. It'll be a dual purpose plant, generating electric power as well as desalting seawater. The 150 million gallons per day is enough to supply a city the size of Boston or San Francisco.

As many companies are involved in desalting as in building research subs. Westinghouse began purifying brackish water for industrial use more than 30 years ago. Today it has 72 plants either in operation or on order.

Baldwin-Lima-Hamilton Corp., a division of Armour & Co., has built more than 350 desalination plants, including those it supplies U. S. Navy ships.

Aqua-Chem, Inc., has sold 171 land-based plants. Other companies experimenting with desalting are Dow Chemical Co., General Electric Co., Lockheed, General Dynamics, North American Aviation, Union Carbide, Foster Wheeler Corp. and Aerojet-General Corp.

How fishermen can farm

Of all the underwater wealth, perhaps the greatest is food. Humble's Mr. Jones cites the estimate that "four-fifths of all life on earth exists in salt water."

Another estimate is that we could catch five times as many fish as we do without harming the supply.

To use the seas to their fullest, American tastes will have to be changed, says Harold Leland Goodwin, who has written extensively on the oceans and is now with the National Science Foundation. In an interview, he points out that nearly half of all the fish caught by American fishermen are dumped back—an amount about equivalent to what we import.

Aquaculture will develop more fully. Fish will be selectively bred and fed, just as prime beef is. Japan is the world leader in this, but the United States farms high cash crops such as oysters, clams and lobsters.

Fish might be "fenced in" by recorded sounds of their enemies or by "bubble" fences. Already Maine sardine fishermen use bubble fences—simple pipe with holes through which compressed air is forced. The fish aren't inclined to pass through the bubbles.

"Not until such fencing is in universal use will fishermen become farmers," comments C. O'D. Iselin, of Woods Hole.

Dr. Athelstan Spilhaus, who has spent a lifetime interested in oceanography, says we must turn to electric fishing.

Fish will line up and swim toward one pole in a field of electric current. So Dr. Spilhaus proposes that you have them swim straight into a funnel hose, to be pumped directly into the hold of a factory ship.

Seaweed is an important part of Asians' diet, but in this country it's used mostly as a source of algin



Deep Quest, Lockheed's recently launched research sub, can dive to depths of a mile and a half. The company's ocean interest was whetted by building anti-sub airplanes.

for ice cream, cosmetics and jellies. "Surely," Dr. Spilhaus remarks, "just as the grasses of the land were developed to yield wheat, corn, barley and rice, seaweed can be cultivated to form an important part of our food."

Legal rights must be clearly determined before fish farming will move much further ahead. The farmer must have exclusive legal right to harvest the crop he has nurtured or he'll continue fishing the way he has for years.

But once fish farming develops more fully, we'll need fish veterinarians, fish pathologists, and experts on the diseases and parasites that plague fish and sea plants.

The protein that can be produced from the sea for human consumption has been greatly increased by the Food and Drug Administration's approval of fish protein concentrate (FPC). Animal protein is the nourishment that's in shortest supply in developing nations.

Storehouse of mineral wealth

The sea has been called an "underwater Fort Knox," a treasure chest that replenishes itself faster than mankind can make use of it. While mining the sea was once a nebulous hope, it's now a growing actuality.

In December or January, Freeport Sulphur Co. will begin mining sulphur in molten form from a deposit 1,750 feet beneath the floor of the Gulf of Mexico. This will be the world's second offshore sulphur mine; the first is also run by Freeport and is producing more than a million tons of sulphur a year from a nearby deposit 1,600 feet beneath the Gulf. The sulphur is pumped to shore through a steam-heated pipeline for shipment to customers in the United States and more than 40 foreign countries.

Minerals are economically extracted from sea water

itself. Dow Chemical began making magnesium from salt water at Freeport, Texas, in 1941. Now four companies are doing it. In a million pounds of sea water are about 1,000 pounds of magnesium.

About half the bromine used in the United States comes from the sea. It's an essential ingredient in leaded gasoline. Only a small portion of the world's salt comes from the seas. But the resource is there; every gallon of sea water contains just over a quarter of a pound of common salt.

Estimates of the wealth of the ocean floor range all over the lot. One suggests that a vacuum cleaning of a square mile of ocean bed surface, in a selected area, could reap 6,000 tons of manganese, 4,000 tons of iron, and 125 tons each of cobalt, copper, and nickel.

Buy your own sub

Recreation under the sea promises to boom. Aquatels and other habitats could become the last remaining weekend retreats for the professional man. The price of small, personal submarines can be put within the reach of many. Already one American company has been approached by entrepreneurs interested in establishing an underwater gambling casino.

Until recently, colonization of the sea floor has been blocked by lack of adequate power. T.M.C. Systems and Power Corp., located in a brown and cream rambling brick building in Springfield, Va., thinks it has the answer. It's nuclear power, and others, like General Dynamics, agree.

To date, man's quarters in the sea have been relatively close to shore because of the need for an umbilical cord to carry him power. Now that cord can be severed, says T.M.C., by placing a module-encased reactor down under.

The way man breathes has also limited his underwater travel. He doesn't have the muscular strength to pump water in and out of his lungs. But now patents have been granted for artificial gills.

One of these, granted to Lewis H. Strauss, the



Subs like General Dynamics' Star III have mechanical arms that reach out to do work at depths man can't withstand. Star III is capable of diving and working at 2,000 feet.

OCEANS BECOMING EVERYBODY'S BUSINESS *continued*



Ocean Systems' submersible is the first to allow a diver to enter and leave while submerged. Westinghouse (below) plans a fleet of Deepstars for undersea work.



physicist son of former Commerce Secretary Lewis L. Strauss, uses an artificial membrane of silicone to extract oxygen from the water. The whole apparatus would be strapped to the diver. Mr. Strauss, who's been an avid skindiver for 20 years, says he got the idea from heart-lung machines used in open-heart surgery.

Medicine promises to benefit from exploitation of the oceans. Marine pharmacologists have only begun their studies but they've already discovered biotoxins from poisonous shellfish and pufferfish that are 200,000 times more powerful in blocking nervous activity than drugs now being used. And a material found in sponges is apparently effective in treating certain virus infections and leukemia in laboratory animals.

Oceanography confronts education with vast demands and opportunities.

There's a whopping demand for ocean engineers and technicians, for marine biologists, geologists, geochemists, metallurgists. The development of ocean

law offers a challenge as does ocean economics. Colleges and universities are stepping up their ocean teachings. Most are still at the graduate level, though a few offer bachelor's degrees in oceanography. Construction of the first high school in the country with built-in facilities for oceanography courses will begin in New York next year.

At the corporate level, the management consulting firm of Harbridge House, Inc., is conducting seminars in major American cities so executives can get a better feel of the market, its pitfalls and opportunities. Managers study actual cases and are given a comprehensive view of the present and a realistic view of the future. Executives from 90 different businesses have attended the seminars, and more are planned.

Investor interest is stepping up. Many securities houses have issued detailed studies of the ocean market. Merrill Lynch, Pierce, Fenner & Smith, Inc., recently featured "Oceanography—An Industry Darling" in its Investor's Reader.

One company, Ocean Science Capital Corp. of Palo Alto, Calif., does nothing but provide venture capital to ocean science endeavors.

Cities woo ocean science

Cities are competing to become the ocean science capital, just as they did in the earlier days of the space race. The Commerce Department's Environmental Science Services Administration recently chose Miami as the site for its institute of oceanography; it's close to colleges and universities with solid ocean science curricula. Also, 130 or so ocean-oriented private businesses are already established in Miami.

In New England, Woods Hole and the Massachusetts Institute of Technology are gathering a flock of oceanographic interests around them. The University of Rhode Island is competing to become the first sea grant college. The Navy is active there, and General Dynamics has its submarine-building Electric Boat Division in Groton, Conn.

Out West, oceanography is helping build a modern, responsive city. San Diego has long had the world-famous Scripps Institution of Oceanography, but now it has some 70 private companies engaged in ocean-related activities. A major tourist lure is Mission Bay, an aquatic park that has attracted four resort hotels and a \$6 million oceanarium.

Interest in the oceans has also created technical associations, trade associations, magazines, books and newsletters. The National Oceanography Association, in just its second year of operation, already has about 650 corporate members.

While the Navy prepares for Sealab III, which will subject teams of aquanauts to sustained deep water living, its oceanographic office employs scores of vessels for mapping and surveying. Some of the work is already done by aircraft. Ultimately, satellites will chart the part of the oceans our planes can't fly over.

A nation, indeed a world, is turning to the oceans. Even the Scots, who have never been known for loose spending, appropriated \$2,800 for a scientific underwater hunt for the Loch Ness monster. **END**

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WE BELIEVE that businessmen, legislators, indeed all citizens should understand and support the Office of Economic Opportunity. For what it does, as well as for how it does it.

What does the OEO do? As businessmen we look at it this way: The OEO and its programs give people a hand up, not a handout... get people off relief roles and onto payrolls. Our payrolls. It helps people move up the economic ladder; equips them through education and training to become productive and constructive members of society. The way we see it, the OEO turns out workers and consumers.

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**A
Hand Up
Not A
Handout**

That's what the OEO is all about.

ment governing and administering a variety of diverse programs in 1100 communities in all 50 states, plus 120 Job Corps Centers. The OEO runs tightly, cleanly, economically. And it does this largely because of the way it's organized.

Operationally, the OEO follows the proven management concept of single responsibility. As businessmen, we practice this principle within our own organizations. And therefore, it's only natural for us to believe that the OEO must be preserved as the single responsible agency for the conduct and management of the many and diverse activities of the economic opportunity program.

It is the best way to get a vital job done.

HOW A CITY TOOK CARE OF ITSELF

When the Pentagon shut down Springfield's big arsenal, businessmen and other leaders kept the city's economy from going down the drain



PHOTO: U. S. ARMY

Scores of buildings in all sizes and shapes were available for new tenants when Uncle Sam began pulling out of Springfield Armory.

Gen. Henry Knox was moving captured British cannon along The Old Bay Path toward Boston where he intended to load them with grape and turn them on their former red-coated owners.

Knox was a first-class artilleryman, George Washington's favorite. So when in 1774 he reported to the commander in chief that he had seen a likely spot along The Path in Massachusetts for an armory, Washington was inclined to listen.

George Washington himself in-

spected the site on a hill outside the village of Springfield and approved it. Here was built the United States' first armory.

Now, the famous Springfield Armory is closing down.

Secretary of Defense Robert McNamara presented a bill of particulars three years ago when he first announced the armory would be closed. Money could be saved, there had been changes in armament procedures, work could be transferred. So went the explanations.

The armory—home of the Springfield rifle—is now nearly closed and the whole character of this New England town has changed—and probably for the better too.

The crisis this shutdown caused, and how Springfield is meeting it, holds a lesson for all. Many American cities will face the same crisis, once the Viet Nam war ends, and the Pentagon slashes defense spending.

The decision at the Defense Department in 1964 split the political-

business hierarchy of Springfield. Battle lines were drawn.

One group, commanded by Mayor Charles B. Ryan, declared all sorts of war on Washington, and led marches to the banks of the Potomac.

George Washington's successor, Lyndon B. Johnson, was even drawn into the fight, but backed his Secretary of Defense.

Another Springfield group of bankers, business executives and civic workers was prepared to accept that Secretary McNamara might be right.

Everyone deplored the break with history and the disruption to the 2,000 highly skilled and well-paid technicians, scientists and gunsmiths.

It took a year for the mayor's group to become convinced that despite delaying tactics, however brilliant, feints, diversionary moves, negotiation and political pressure, the armory was going to be closed eventually.

Bury the hatchet

There was still bitterness among armory workers, but the mayor finally knew he was licked. He quietly turned to a business-civic group. Differences were overcome and pledges made for all to work together to help the town.

Mayor Ryan and his civic leaders soon found they had an ally—the Defense Department, of all things.

Mayor Ryan appointed a 16-man Citizens Committee of business and union leaders, educators and civic workers. Don F. Bradford, who heads the Defense Department's Division of Economic Adjustment, offered his services and facilities in

helping plug gaps in the city's economy caused by the closure.

The value of this cooperation was soon evident. A \$30,000 fund was provided by Washington to study alternatives to the armory and lay out a program of what to do next. A half dozen government agencies and departments sent in experts.

Springfield's business leaders had quite clear ideas what they wanted. Quickly they found agreement with the Washington people and with the Realty Research and Consult-

ing Corp. of Pittsburgh which had been hired to help with a planning report.

All wanted a better economic mix for Springfield—less dependency on a single government installation, less defense work, a heavy layer of academic endeavor to enrich the atmosphere of the town and a bigger helping of free enterprise.

Mr. Bradford and his economists recommended getting several consumer oriented industries to take over armory facilities. Paul Gree-



PHOTOS: IVAN NASSAR—BLAER STAR

Planning Committeemen Edmond Garvey and Herb Almgren inspect facilities for the Technical Institute. They called them "excellent."

HOW A CITY TOOK CARE OF ITSELF *continued*

ley, who runs the effective Joint Civic Agencies, agreed. Mr. Greeley is secretary for the mayor's Committee and has worked closely with Mr. Bradford.

"The Washington people were wonderful," he says. "They have been up here many times, and helped in every way. We here in Springfield have kept control. We make the final decisions. We wanted to break up the old armory complex and lease it by pieces. Mr. Bradford agreed and that's happening."

Finding new tenants

A key piece of real estate is the Federal Square Area, made up of 450,000 square feet of manufacturing space. Mr. Greeley and the mayor's Committee knew this area had to be leased quickly or the economy of the city would suffer. Members began contacting business associates around the country in the search for a substitute for Uncle Sam.

Leland J. Kalmbach, chairman of the board of Massachusetts Mutual Insurance Co., soon scored. Among the people he called was Jack Parker, General Electric vice president and a personal friend.

Would GE be interested in looking the site over as a place to make coffee pots, or aircraft engines, or

railroad engines, or TV sets, vacuum cleaners—anything?

Could be, Parker said.

The company found the site suitable and in January this year began turning out machine guns.

It isn't the nonmilitary line most people wanted, but plenty of old gunnery experts are around who can do the work. By midsummer 400 people were working at the GE plant, and 1,000 will be there by the end of the year.

That's half the total working there before the armory closure began.

The second piece of armory property to go was Armory Square, a collection of old but gracious buildings arranged around a parade ground.

The place had the look of a campus and now it has become just that—a campus for a technical school.

Springfield has been trying for a year to get a larger state technical academy. Suddenly an ideal location was on hand—buildings, parking lot and all. The mayor's Business-Civic Committee contacted the State Educational Services.

The state snapped up all 500,000 square feet. One thousand students begin two years of work there this autumn. In four years it will have 5,000 students.

Springfield College, another of

the city's educational institutions, is almost certain to take over a 200-acre lake which was part of the gun factory.

Several firms were initially interested in the forging shop where hundreds of thousands of gun barrels for America's wars were made. Leaders promise that one will be selected soon and that it will be consumer oriented, a newcomer to the area as well as a diversifier.

The Committee sent specifications of the armory to 300 forging plants all over the country. Quick availability was stressed. Scores of responses came in and the Committee winnowed them to six. Committeemen personally visited each of them in Indiana, Maine and Connecticut.

Difficulties have cropped up in leasing the 56,000 square foot weapons testing range which is next to the main warehouse. The facility is so vast and complicated that few private companies can use it. It is filled with environmental control apparatus, freezing rooms, heat rooms, rooms with special lighting. The Committee feels that some company with testing problems eventually will snap it up.

In four months the committee will have lined up a new tenant for the 140,000 square feet of prime, single-story warehouse space. This was the most modern of installations and renting it will be no great problem.

Not for sale

Finally, there is the gun museum which has been in Springfield for generations.

Some people say it is the largest and finest collection of guns in the world. Longfellow wrote a poem about it.

Private gun firms would like the collection. The Smithsonian Institution is reaching for it. The National Rifle Association also is interested.

Springfield is now in the early stages of seeing what can be done to raise \$1 million to move the collection into an historic building and in this way hang onto the city's claim as "The Home of the Gun."

As final closing of the armory approaches, the Citizens Committee meets nearly every week. Members are more convinced than ever that in the end Springfield will be the better for the closing.

The most active, besides the mayor, Mr. Kalmbach and Mr. Greeley, include Herbert P. Almgren, president of the Safe Deposit Bank and Trust Co.; James J. Shea, Jr.,

Spearheading the search for replacements to fill Armory space were Mayor Charles Ryan and Joint Civic Agencies head, Paul Greeley.





First new tenant into old armory space was General Electric with a new machine gun plant. George Harris (left) is GE general manager. Leland J. Kalmbach heads the committee seeking replacements.

president of Milton Bradley Co.; Edmond P. Garvey, president of the Technical Institute, and Herman Grimmeison, retired vice president of Gilbert and Barker Co.

These men wanted tax revenue companies installed in the armory area which had always been tax exempt because it was a federal installation. Each time GE pays its local taxes now, these men feel better about their city. They wanted diversification, not just the federal government. They wanted educational facilities. Some wanted an end to the federal network of armories, believing that private concerns such as Colt, Remington and Smith and Wesson should have the work.

These men gave hundreds of hours to the search for proper substitutes for the armory. They studied hundreds of suggestions depos-

ited in "idea boxes" located around the city. They spent their own money telephoning friends, visiting associates, entertaining company representatives who might be interested in taking over space.

The Joint Civil Agencies paid secretarial expenses for the committee and provided it with an operating base.

"We knew we had to do something," Mr. Almgren said. "Springfield is too big and prosperous to go under if the armory closed, but the loss of a 2,000-man payroll would have hurt."

"We faced loss of valuable, highly trained men when the armory closed if we couldn't keep these good people here."

It was feared many would have taken early retirement and other skilled workers and scientists would transfer to the Rock Island (Ill.)

arsenal. Springfield could have suffered a \$40 million a year loss.

"We've made progress," Mr. Almgren said, "and we may come out better than we were before the government decided on the closure."

Mr. Almgren can hardly be wrong.

By this time next year, when the armory has become a thing of the past, the city of Springfield will be collecting at the very least \$50,000 a year in tax revenue which it has never gotten before.

As many as a dozen companies will be using parts of the old armory area instead of one occupant—the government. All of the area, with the exception of the school, will be devoted to free enterprise endeavors.

Besides, as many as 4,000 people may be employed there in place of 2,000 who worked in the armory.

END

BUSINESS: A LOOK AHEAD

New aerospace field

(Construction)

Consumer spending splurge

(Credit and finance)

News overshadows ads

(Marketing)

AGRICULTURE

Valuable new uses may be in store for unglamorous animal fats.

Billions of pounds are produced each year for soap, animal feeds and the like.

Uses have been limited up to now because fatty acids don't combine readily with other chemical substances. But U. S. Agriculture Department reports possible solution.

Research now in test-tube stage combines fats with other substances to produce more active compound capable of being "pasted" onto others. Potential uses include medicines, lubricants, paper, textiles, leather.

In medicine, for one example, barbituric acid compounds could be made oil soluble, hence longer lasting in human body, which in turn could increase drug effectiveness, reduce required dosages.

Leather products, for another, could be treated with fatty acid compounds that would resist removal by cleaning process.

"The potential for use of large amounts of it is very high," summarizes Edward S. Rothman, USDA

research chemist at Wyndmoor, Pa., utilization laboratory.

CONSTRUCTION

Aerospace companies invade construction field?

That's strong likelihood seen by Benjamin H. Evans, director of education and research programs for American Institute of Architects, once Viet Nam war ends if federal government provides the push.

The reasoning: Aerospace companies have work force representing all specialties, have developed ability to get big things done quickly via systems approach—looking at problem with coordinated grasp of individual requirements involved.

Such firms vigorously push diversification. In building, General Electric designs entire city; Boeing has architects examining all building areas company might enter.

Housing for urban poor attracts greater concern; with all-out prefabrication, costs could be knocked way down if industry were assured market of, say, 10 million units at once. Government, with resources freed by

war's end, could assure this market.

Thus Mr. Evans foresees possibility of aerospace companies developing total construction system for such housing, perhaps entering production as well.

CREDIT & FINANCE

Consumer borrowing will fuel continued spending in months ahead, somewhat offsetting effects of any tax increase.

That's opinion of major Wall Street business consultant with Havenfield Corp.

Tax increase would have some effect, he concedes. But savings have risen over past few months and consumers likely will make more use of available credit than they have in recent past.

Same source predicts continuing rise in cost of goods and services, some improvement in profit picture in 1968 over 1967.

Same view of consumer spending strength is reflected in an in-house information sheet circulated for executives in a major corporation in a basic industry: "Industries which depend on consumer spending are showing new strength."

MANUFACTURING

"We don't find as many straight political appointees as we used to."

This is one man's way of describing growing professionalism in state industrial development offices. Other signs are increasing salaries for those officials and continuity of development programs.

One source points to Adolph Schmidt, industrial development director for Rhode Island and past president of the American Industrial Development Council.

Mr. Schmidt was experienced professional when hired, has served under four Governors, two Republicans and two Democrats.



PHOTO: BLACK STAR

A riot is a tough act to follow with a commercial. News content spurs innovation in TV ad writing (see Marketing).

Another sign: Many states used to draw skilled personnel from such training grounds as private developers, city and county government, major utilities. Now some regard state government itself as a good training because of diverse experience.

FOREIGN TRADE

Expo's big, but there will be bigger shows yet.

While crowds course through Expo 67 in Montreal, work is under way on three more international exhibitions. They are:

"Confluence of Civilizations in the Americas," a six-month exhibition opening in San Antonio next April.

Expo 70 in Osaka, Japan.

United States Bicentennial Celebration in 1975-76. Several cities are competing to host this event, to be the world's largest international exposition.

MARKETING

Rap Brown and Stokely Carmichael are making it rough for TV advertisers.

So are hippies, Twiggy and a half million American troops in South Viet Nam.

"Life itself is a lot faster," explains a New York ad man, with the daily flow of news competing more compellingly for viewers' attention. "These are issues that concern people and that involve them," he says.

A riot is a tough act to follow with a commercial. Viewers are more aware and preoccupied, says Madison Avenue source, become harder to sell with pompous pronouncements or pseudoscientific product presentation.

Implications for advertising, in this view:

Greater emphasis on innovation, experiments not necessarily justified by statistics claiming to show what ads grab and why.

Demand for nickel continues to rise, putting pressure on suppliers to develop new sources.

Conservative estimates put U. S. consumption at 400 million pounds for this year and nearly 430 million

in 1970. International Nickel, however, puts 1966 consumption at 422 million in 1966, suggesting a higher figure for 1970.

Main growth potential, say industry sources, are in stainless steel and high-temperature alloys. Recent Inco publication cites such diverse uses as nuclear reactors, hydrofoils and nuclear rocket engines.

On world-wide basis, consumption by late last year had increased 70 per cent over four-year period.

And 1966 was first year since mid-50's producers could not meet demand.

Several sources are being developed or surveyed, including northern Minnesota (see "Billion-Dollar Comeback," August).

TRANSPORTATION

From railway men to port officials, transportation experts ponder effects of containerization on movement of goods in international trade.

Facilities for handling containers are in operation, under construction or being studied in many major ports. These include:

New York, Boston, Baltimore, Norfolk, Charleston, Los Angeles, Long Beach, San Francisco, Oakland, Seattle, Portland, Philadelphia, Houston, New Orleans, Mobile, Miami and Jacksonville.

Paul A. Amundsen, executive director, American Association of Port Authorities, expects growing use of containers for shipment of packaged goods to lead to concentration in major ports, particularly those served by best rail facilities, when unit trains carrying containers reach full potential.

Railroads foresee huge expansion of container trains. Spokesman for Association of American Railroads calls proposal now pending before ICC "an augury of things to come." This is Pennsylvania Railroad's plan to move containers by unit train from St. Louis to a New Jersey port.

RECASTING A BASIC INDUSTRY

A conversation with Roger Blough, chairman of United States Steel, about decision-making, innovation and investment in the steel industry

Roger Blough doesn't shoot from the hip.

He ponders every question. Relaxed in his chair, clasping his hands, he sometimes asks you the same question you asked him. Then he responds, and the clarity and completeness of his answer is worth waiting for.

Friends say this ability to take a question or problem, analyze it and come up with the right answer is one of his greatest assets. Roger M. Blough has been doing just that for a quarter-century at United States Steel Corp. For the last 12 years, he's been chairman and chief executive officer. During this time, he has seen the streamlining of a whole industry.

From his office on the corner of Broadway and Wall Street, high above historic Trinity Church and the gravesite of Alexander Hamilton, Mr. Blough directs operations of the world's largest steelmaker.

He's credited with modernizing U. S. Steel, making it more responsive to customers' needs. He has the company plowing more money into research and development each year than many companies earn in a lifetime.

Roger Blough is as easy to talk to as a next

door neighbor. He has a dry sense of humor. Mr. Blough, 63, once kidded Bob Hope: "You've been my favorite comedian ever since I was a child."

He's an early riser, sometimes waking at five o'clock to work on a company problem and getting to the office before eight. Most weekends are spent at his cottage-style home near Hawley, in Pennsylvania's Pocono Mountains.

In the following interview with a NATION'S BUSINESS editor, Mr. Blough talks about the social responsibility of business, lists the qualities the "ideal" executive should have and warns against the "whittlers."

Mr. Blough, as a boy, didn't you plan to drop out of school after the eighth grade and work on a farm?

Yes. Actually, I never went to the eighth grade. We had a one-room school outside of Johnstown, in a little community called Riverside. We had all eight grades there.

Part of the process of going to that school was to start as a first-grader in the front row and graduate back in the back row.

By the time you had heard, as you moved





Most rental yards and many Ford tractor dealers rent Ford tractors and equipment by the day, week, or month. See the Yellow Pages.

That's snow biz.

Keep your wheels turning a profit for you—even in the dead of winter. When the mercury drops and the ground hardens, just shift into winter work with your jack-of-all-seasons Ford rig. ■ Your Ford tractor-loader scoops and piles snow—with lift capacities of from 2,000 to 4,500 lb. Or, attach a blade instead and push snow aside to clear driveways and lanes. Or, put on a broom—to get rid of light snow. Attach a rear-mounted salt-spreader to clear icy areas. One owner uses 3 Ford rigs to spread 37,000 lb. of salt in a day—to salt 100 acres of malls and parking areas in 3½ to 5 hours. ■ Superior power-weight balance makes your Ford rig sure-footed even in slippery going. Ford maneuverability lets you work in some pretty tight quarters. Ford transmissions speed up snow removal just as they do construction jobs. Fast, low-cost, manual-reversing 4-speed. Torque converter with power-reversing 4 or 6-speed. Power-shift 10-speed. ■ Get ready for winter business now. See your Ford tractor and equipment dealer soon. ■ Ford Tractor Division, 2500 East Maple Road, Birmingham, Michigan 48012.



RECASTING A BASIC INDUSTRY

continued

back through the rows, all the recitations of all the classes day after day, had read all the books available to read and had sat behind a big geography book which was your source of refuge when you hadn't anything else to do, school became a bit of a problem from the standpoint of occupation.

I did the janitorial work at the school. I kept the fires, for which I was paid about five dollars a month, maybe three—probably more than I was worth.

In any event, when the time came to go from the seventh to eighth grade, my teacher suggested that, instead of coming back for the eighth grade, I take the county examinations and see if I could skip the grade and go into high school.

This was quite an adventure, but I undertook it and it turned out all right.

There was an added reason for taking the test. I would have been the only one in the eighth grade the following year. So, we completely eliminated the whole grade, besides relieving congestion in the school.

Once through high school, you worked your way through Susquehanna University?

Yes. That's substantially so. I washed windows, looked after the mail, dusted pianos in the conservatory of music and a few other things.

And then you taught school?

Yes.

What decided you to go on to law school?

I suppose it was a combination of things. I was perfectly happy teaching school and had been elected supervising principal of our school in Hawley, Pennsylvania.

But I felt I would enjoy law school, and I did.

I hoped I'd be able to make a living as a lawyer, but I had no assurance of it because there were, in those days, many who were not making a living at law or teaching or anything else. There seemed to be plenty of people and few jobs.

I graduated from law school in June of 1931.

Were those few years as a teacher rewarding?

Oh, yes. We had a lot of problems, but it was worthwhile. You learn about people, about towns and

about issues; about, I will call it, the first phases of management problems—and you learn it very fast.

What did you do when you graduated from law school?

Part of the process of getting a job was to go where you wanted to work; if you knew someone, fine. If you didn't, as was my case, you asked for an interview with the managing partner. The year 1931 was not a propitious time to get a job and the procedure was to leave law school around Christmas of 1930 and ask for a job to start sometime after the next June. I knocked on doors and met an individual who was to become a real friend later, George B. Case of the New York firm of White & Case. He offered me a job, I took it, and was very happy. I was married and I needed a job badly.

The late 1930's marked a major turning point in your career, isn't that right?

There was a Congressional investigation of a number of industries, including steel, by the Temporary National Economic Committee. U. S. Steel was among the steel com-



Roger Blough enjoys relaxing in Pennsylvania's Pocono Mountains.



**Boston's
Luise Stone won't
clip this coupon to
the Texas Industrial
Commission today—
but her boss should!**

Perhaps he doesn't know what other manufacturers have already learned: That Texas is a ready-made market of 23 metropolitan areas for his Luise-made hats. That contented, productive workers are as plentiful here as the raw materials he uses. That he'll pay lower taxes, and none on the profits his company earns. Luise will probably want to come along to enjoy the mild climate and the good life—with no salary deduction for state income tax. But her boss had better call (512) 475-4331 today. His competitors may already be on the way. If competition isn't an urgent consideration in your company's operation, simply mail the coupon or drop a line to the Texas Industrial Commission.

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TEXAS INDUSTRIAL COMMISSION

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- ☐ Texas Plant Location Fact Book, '67-'68
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RECASTING A BASIC INDUSTRY *continued*

panies asked to come to Washington and testify. Some attorneys were engaged to assist in the companies' preparation. I joined the group in the fall of 1938 and helped prepare the presentation.

It may be that the 1938 job, which lasted through 1939 into 1940 and my subsequent invitation from Ben Fairless to join U. S. Steel, lines up these years as important ones. That's a possibility.

Is it true that you keep a pad of paper on your nightstand on which you can jot down ideas if they occur to you during the night?

Yes, that's true. I thought everyone did. It's very useful. If you have a few things on your mind and you arrive at some sort of a tentative thought or solution, it's good to jot it down. This has the beneficial effect of relieving your thinking of that particular thought. You no longer have to try to remember it. You can revolve along and pick up some other idea. So it's not only valuable from the standpoint of remembrance, it's also a method of clearing the deck so you can think about something else.

You and others transformed U. S. Steel from a holding company to an operating company. Why?

This was something we had wanted to do for some time, and I am very happy we were able to. We achieved a tighter organization. We were able to have the top officers of the company more closely involved in major decision-making.

There are many ways to organize companies, and a holding company is but one. There are periods during a company's life when one form of organization fits. Then another period comes along and a different form of organization may be a better fit.

I think all of us were convinced that the time had come for U. S. Steel to change the form of its organization.

You are credited with broadening U. S. Steel's stock incentive plan. How important are such incentives?

Our plan is quite useful in providing a stock interest to a number of the officers who otherwise might not be able to have any appreciable stock interest. And if you have an ownership interest in a corporation,

I think it naturally follows that you, somehow or other, achieve better results.

I don't want to imply that those who do not have stock ownership are not doing a full day's work. Certainly they are. But stock ownership on the part of a number of the operational officers can be very beneficial.

What qualities should the executive of today and the future have?

Well, I think he needs to have an informed and balanced judgment about decisions to be made, about courses of action to be taken.

It seems to me he needs to have a considerable capacity for getting work done. Many people work hard at things but show very little in the way of results. Others seem to be able to produce results easily.

Another requisite is a complete absorption in whatever work he happens to be doing at the time. By this I mean the extra effort that seems to characterize a number of successful executives.

Also, the modern executive needs to be not only a man of action, but a student of the proper kind of action. He has to approach every problem with a high degree of objectivity. His own views constantly have to be subordinated to what he finds to be the requirement of the situation.

Anything else?

I'd suspect the one trait that follows from the several I have mentioned is adaptability.

When you are talking about promotions, you think not only of the kind of job a person has done but of how he will do in a higher responsibility. He must adapt to new responsibilities, to new management situations, to new products and to new types of operations.

This "ideal" executive we are talking about—I'll agree they are hard to find—should have a feel for the future, not only from the standpoint of where his own business is going, but where his competitors are going, what other materials are doing and what the country is likely to do.

Finally, a good executive ought to have a strong social conscience, be quite willing to engage in what I'll call the civic and the philanthropic side of life as well as pure production and sales.

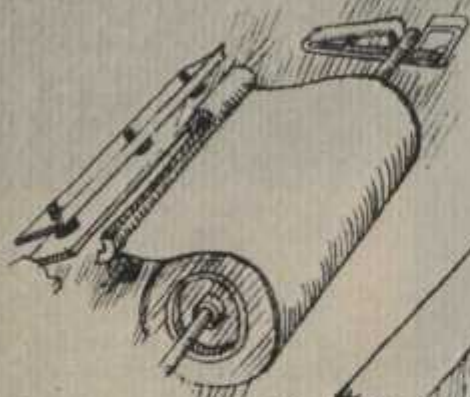
More and more, people who manage corporations are coming to rec-



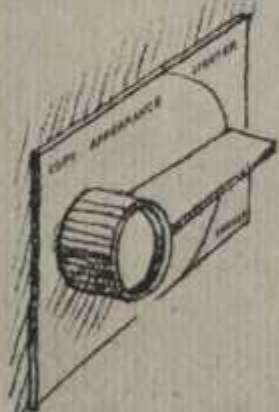
Roger Blough worked his way through college but found time to win a third varsity letter on Susquehanna University's 1924 grid team.

The Pitney-Bowes 250 Original

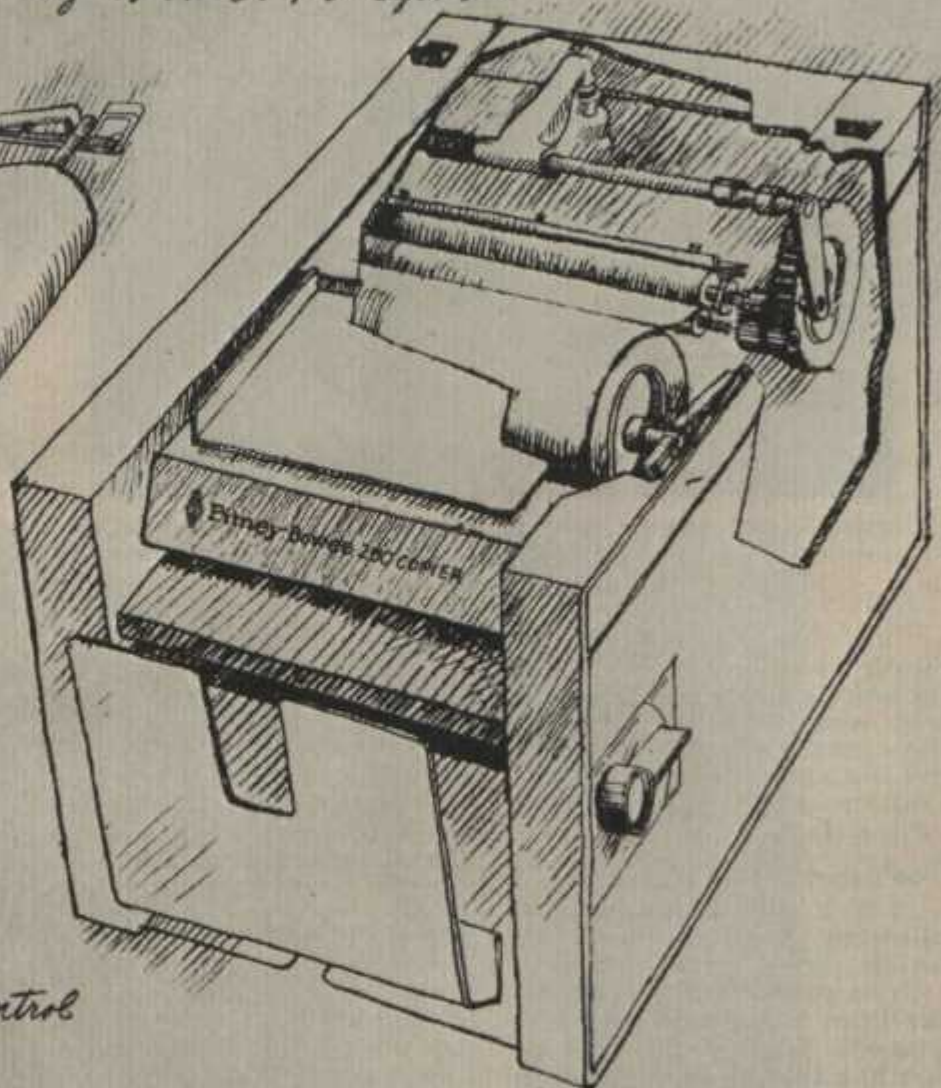
We really didn't plan to make our own but 14 years of using everybody else's copiers convinced us we had to. So we made the Pitney-Bowes 250. We think a lot of people are going to call it original.



Roll feed assembly



Light/dark tone control



It's a high quality electrostatic copying machine that sits on a desk, plugs in anywhere, starts copying immediately, dry copies from all colors, cuts copies to the size of the original, is backed by a 2,000 man service force and costs \$145. The Pitney-Bowes 250 is made to last just like all the other Pitney-Bowes machines and it does its job so well, so reliably, you almost forget its there. That's the original part.



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Postage Meters, Addresser-Printers, Folders, Inserters, Counters & Imprinters, Scales, Mailopeners, Collators, Copiers. For information, write Pitney-Bowes, Inc., 1379 Crosby St., Stamford, Conn. 06904.

RECASTING A BASIC INDUSTRY *continued*



Lawyer Blough became chairman and chief executive officer in '55, succeeding Ben Fairless, who seats him in the chairman's chair.

ognize there is a lot more to being in business than simply production and sales. Still, production and sales and operating at a profit are absolutely essential. Otherwise you'll never be able to get into the other areas.

How do you reach a big decision?

Well, I don't know whether I reach any big decisions, but I help once in a while.

It's a process of, first of all, trying to get as much factual data as you can. What has happened before in a given situation may be of interest, but it's not easy to find an exact replica. So each decision involves a new set of factors, a new set of considerations.

Once you think you have learned something about these factors, I think it's most useful to kick the idea around among your associates—see what their views are.

After you've done that, I think it's important to make sure you are not so close to the problem that one factor is given more weight than it deserves. One way to make sure this doesn't happen is to sleep on it, overnight at least and maybe a week or two, depending on the nature of the problem.

Finally, I think you'll find you don't make major decisions; they sort of make themselves.

Occasionally, you'll be in a situation where you are not sure right down to the final minute. But most of the time, the larger questions sort of answer themselves if you stay with them long enough.

What do you consider your most difficult decision?

Well, there have been a number of decisions that have involved some work, some thought and even a little anxiety.

I suppose my experience is common to that of most people. The difficult decisions are those which involve what you, yourself, are doing. Among those decisions, the ones that you probably give the greatest consideration to are the opportunities you have for changing your job.

I thought a long time before I left school-teaching to go into law.

I thought a long, long time before I concluded it was the proper course of action to leave White & Case in 1942 and join U. S. Steel.

I suspect there are still a number of decisions to be made, and I am not sure I have yet made the most

difficult one. But, as I said, you reach a point where the decisions sort of make themselves; that's what has happened to me every time.

In a speech, you warned against the "whittlers" and the dangers they present. Who are they and what are these dangers?

I was talking about the people who create the restrictions of one sort or another to the necessary activity of life and of getting work done—you find them quite often in government.

This was in a talk called "The Real Revolutionaries." I pointed out that while we have many kinds of so-called revolutionaries in this country, the real revolutionaries are the ones who produce the new and better things and the ones who get the job done. They are the ones who work at production, distribution, communication—the innovators.

Now, the whittlers, on the other hand, are the ones who whittle down the opportunity for the innovators to get the job done. This may not be a very apt term, but it happens to be the one I thought of at the time. It was intended to convey the hope that somehow or other the ingenuity of man will not be bound too tightly with too many ropes of restraint.

Is the steel industry still in swaddling clothes?

Yes. I first said that a number of years ago. And it's more true today than it was then, if that's possible.

It's more true in the sense that the prospects for developments in steel are so much more apparent now than when I first made that statement.

Today there are probably six or seven people devoting their time to research and development to every one who did this 15, 20 years ago. During this same period, the total number of employees in the basic steel industry has declined.

The point I am making is that a much greater effort is being made these days to do research and development.

The other point I would make is that I see much more evidence of the results of this work than before.

It's true there were many good people in the earlier days who did great things, but what's going on today in the steel industry is simply

Sharing the speakers' platform at an industry-government meeting, President Johnson enjoys Chairman Blough's introduction of him.

PHOTO: WIDE WORLD



PHOTO: AP



Mr. Blough replies in '62 to President Kennedy's angry charge that he was showing contempt for others by trying to raise prices.



Awarded U.S.O. Gold Medal by General Eisenhower, Mr. Blough joked that a business statesman is one caught with his prices down.

stop dirt



...reduce daily cleaning and protect floors!

70% of all dirt entering your building comes from people's shoes! Stop this dirt at your door and win a major part of your cleaning battle. Chemically-treated DUST-TEX entry carpets attract and hold dirt, grit, grease and moisture from shoes. This reduces daily cleaning and protects floors. Floors stay brighter, wax lasts longer... and you save up to 33% of your present maintenance cost! DUST-TEX entry carpets are furnished on a regular rental-exchange schedule. You invest nothing! Free details at no obligation.



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Please send information on how to cut my cleaning maintenance cost by up to 33%.

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Address _____
City _____
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NB-967

RECASTING A BASIC INDUSTRY

continued

astounding. The ability not only to do a better processing job but to originate products is quite beyond anything it was before.

When the Navy needs a new type of steel to permit a submarine to go to a deeper depth, it calls on U. S. Steel research. After a lot of hard work, we develop it. Twenty years ago, I doubt we could have.

We know the purpose of the steel, the qualities it has to have, and we tailor-make a steel to fit that particular job.

This is being done all the time for thousands of applications. With over 10,000 steel products to work with, you can understand there are many opportunities for exercising ingenuity.

I have a feeling that so much more is being done today than before that there simply isn't any comparison.

You sound pretty optimistic.

Yes. But I might add that Washington seems to be originating at almost an equal pace some rather new and costly economic theories. Between trying to handle the cost of these and getting all the machinery and equipment we need for our new processes, we have some difficulty finding enough capital to go around.

What has given you the greatest satisfaction in your 25 years with U. S. Steel?

The pleasure and stimulation from my associations in United States Steel Corporation.

Why is the American steel industry, which for years has advocated free international trade, now asking Congress for temporary relief from imports?

The reasons are fairly clear.

Continually higher and higher employment costs, together with some inflation—I won't propose to discuss which caused which—have pushed our cost of manufacturing steel higher than it should be.

The employment cost of producing a ton of steel in Japan is about \$39 less than in the United States.

This is a severe handicap. It needs to be overcome in a number of ways:

One is by better management techniques. I think American producers are doing a pretty fair job in this regard.

Another is by having the best

possible equipment. A great deal is being done in this area, too. U. S. Steel is spending approximately \$1.8 billion over three years for capital improvements.

In addition, the steel industry needs to produce new and better products.

In any product that involves quite a few man-hours of cost before marketing, a disparity in employment cost is a real handicap. That is the basic problem we have today.

The remedy we are asking is one we think is appropriate under the circumstances.

This problem is not confined to the steel industry, by any means.

A number of industries have the same problem because of the tendency for wages here to be higher than abroad.

It's necessary to do something to

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erase this disparity, or—and this is a big “or”—face the possible and, I think, undesirable, fact of having more and more of America’s needs met from abroad. That would mean loss of jobs.

I think it’s essential that America have a strong steel industry, and one way to keep it strong is to permit it to keep within range of some kind of competitive equality.

It’s your view, isn’t it, that capital spending over the long pull is anti-inflationary?

That’s right. I don’t think there’s any question about it.

If you provide better tools, you can, with a given group of people, produce more products.

If you produce more, there’s less tendency for the price to be driven up by scarcity.

Can wage-price guidelines be effective?

No. There are many reasons why they are ineffective.

Wage guidelines are simply not observed.

Price guidelines are built on certain cost assumptions, and when those assumptions no longer apply, you can no longer follow the guidelines.

In addition, the guidelines have applied to some businesses and not to others.

Now, you can ask, “Would you rather have guidelines or have mandatory wage and price controls?”

I think the answer is that you don’t really need or want either of them.

How do you relax?

I like to fish; I play a little golf. I get some relaxation by doing chores around the house. I enjoy assisting Mrs. Blough in the kitchen now and then.

Does Mrs. Blough consider you a good cook?

Let’s say she puts up with my cooking. **END**

REPRINTS of “Lessons of Leadership: Part XXVIII—Recasting a Basic Industry” may be obtained from *Nation’s Business*, 1615 H St. N.W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

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Al Capp on: THE HIPPIE



***GALBRAITH WAITS FOR ABOLAFIA TO
TOSS HIS HAT INTO THE RING*—**

The late John Fitzgerald Kennedy, to whose speeches John Kenneth Galbraith contributed so many sonorous passages, once said that no known wit could hope to be chosen President of the United States or of any small-town bank.

Americans, he felt, are reluctant to trust their money—or even their nation—to a funny man. And that makes sense.

To be funny, a man must be unpredictable, startling, lighthearted. And none of us wants anything unpredictable or startling—or, worst of all, lighthearted—done with our savings or our national safety.

We feel safer with a dull man.

And so, said JFK, any man who has won the affection of the public with his wit—but who wants then to win its trust—must make folks forget his past by becoming a profound, or better, crashing bore.

This theory is borne out by any collection of speeches by successful Presidential candidates, and by John Kenneth Galbraith's new book, "The New Industrial State" (Houghton Mifflin Co., Boston, Mass.). Clearly Galbraith aspires to a higher level of public trust than he now holds as National Chairman of the Americans for Democratic Action and Warburg Professor of Economics at Harvard. Those people will trust anybody.

"The New Industrial State" ends by stating that what this country needs to pull it out of the mess it's in (the richest, most powerful, most generous, most liveable place on earth) is a "strongly creative" hand. And there are some mighty broad hints where we can find that hand; such as that it's mighty close to a certain tall economist's strongly creative wrist.

But Galbraith has one fatal handicap, and he is courageous enough to face it. He is a known wit. What's more, he's been witty about

Al Capp, the author, while not now a practicing economist, specializes in deflation.

ECONOMICS



"BEAUTY IS WORTH THE SACRIFICE OF SOME INCREASE IN THE GROSS NATIONAL PRODUCT"



AL CAPP ON: THE HIPPIE ECONOMICS *continued*

things that no man who expects the public to take him seriously should be anything but grave about. "The Affluent Society" established him as the most amusing commentator on economics; "The McLandress Dimension" revealed him as a merciless satirist of politics; there were passages in "The Scotch" that Mark Twain, in his most disrespectful observations of respectability, has not surpassed.

Clearly, Galbraith, remembering the advice of President Kennedy, decided what was needed to make the public forget his delightful past was a massive dose of dullness. Some may consider "The New Industrial State" an overdose, but no one who has tried it can ever again think of Galbraith as funny—or readable.

And since unreadability is the essential ingredient of a deathless classic, "The New Industrial State" is certain to endure forevermore on the bookshelves of serious public men, and on the recommended reading lists of conscientious colleges. Once it's a classic, all thoughtful people will assume that all other thoughtful people have read it, and this will make it unnecessary for anyone to give it another thought. That will assure its immortality.

And so now is the time, when it is merely a best seller, to find out what Galbraith's "New Industrial State" really shapes up as. When it becomes a classic, and that could happen any minute now, it will be too late. All we can do from then on is revere it, and avoid it.

You can't talk about John Ken-

neth Galbraith and his "New Industrial State" without talking about Louis Abolafia. Abolafia is the "hippie" candidate for President. His campaign posters show that he has quite a bit of hair, but no clothes at all, except a hat, which he uses to cover an area other than his head. Other posters show him after he has thrown his hat into the ring and is saying "What Have I Got To Hide?"

Right here I must disenchant my admirers who may hail Abolafia as one of my fantastic creations. Abolafia is real—all too real. And I recently had him on my TV program.

Abolafia thinks it's fine for one class to produce things and another class to run things. He simply suggests that a different class take over the running end, namely those who, like himself, have not had their creative strength drained by producing anything but poetic suggestions.

Abolafia's platform is this: Now that inferior, unimaginative men (in hippie language, "the straight people," "the guys in neckties,") have created an America superior to any society anyone dared to imagine, it is time to turn over the running of it to the hippies or "flower-children."

The flower-children are the children of a generation which flowered in the Depression, and worked and fought to protect their young from the bitter deprivation they knew, and the menace of fascist and communist domination they feared. The flower-children bloomed untouched by the necessity to struggle for

personal survival, and now won't touch the struggle for national survival. And Louis Abolafia is their leader.

A couple of months ago, I asked Abolafia what he considered his chief qualifications for the Presidency.

"I'm younger than any other candidate," he replied, "which means I am not as cynical about things. And I'm cleaner than they are. I have never dirtied my hands in politics."

When I asked Abolafia what, as commander-in-chief, he'd do in case of enemy attack, he said, "Make love, not war."

Confronted with such a tactic, I asked him, what he thought the enemy would do.

"What could they do? They couldn't fight us. They'd have to join us. That would turn all wars into love-ins. You know—Group Gropes—they feel good and don't hurt anybody."

Who would he run with—as Vice President?

The Candidate said he would run with a chick.

Could he give me a name? He asked a nearby blonde in a mini-skirt her name. It was Janet, I think, or it may have been Sandy, which proves how easily we forget our Vice Presidents.

I asked him who he would choose as his Secretary of State.

It must be, he said, a cat who digs that the time is now to grab the scene from the Man in the Necktie, tell him to either cool it or flake



out, and give the flower-children the chance to produce something groovy from our national grossness (or Gross National Product) and did I have any suggestions?

At the time, I didn't. How could I know that, a few blocks from my home in Cambridge, Massachusetts, an old and cherished friend was adding the final flourishes to a manifesto demanding everything the hippies were demanding? How could I know that as the first hippie President was flowering in East Greenwich Village, the first hippie economist was flowering at Harvard? How could they know about each other? How could an Abolafia, with no suits at all, dare to dream that a Galbraith, who has several, would be perfectly in tune with him?

I don't suggest that Abolafia reads "The New Industrial State." I don't suggest that Abolafia reads. But if he will take the word of one who proved his friendship by putting him on my TV show when I could have had Harold Stassen, he will offer the State Department job to John Kenneth Galbraith. He couldn't find anyone more devoted to hippie ideals. This may be a surprise to Galbraith, and to Abolafia, too, and it may not be a pleasant one for either of them, but every shred of evidence proves that they were made for each other.

Hippies claim that Beauty and Art are more important to the national welfare than material things, and those who devote themselves to Beauty and Art (hippies) at all times, except when they're cashing

their unemployment or allowance checks, should outrank those who merely produce (the straight people, the Joe Sinceres, the hubcaps, the Daddy Warbucks; in a nutshell, the whole non-hippie bit). The hippies, however, don't go along with those who believe that producers should be beaten up and all their productions burnt. That's the Non-Violent movement.

On Abolafia's campaign posters his qualifications for being Chief Executive are listed as: Artist, Poet, Philosopher.

Does Galbraith support Abolafia? Let his book answer: The perfect "New Industrial State" will exist, says Galbraith, when we realize that "beyond the area of goods and services, however supplied, and the demand for them, however contrived, is the future world of Aesthetic Experience. This is served not by factories or engineers, but—by artists."

No Harvard professor ever gave any Presidential candidate a more unqualified endorsement.

Would anyone but Abolafia suit Galbraith? Let him answer, in his own words, from his own classic:

"Aesthetic achievement is beyond the reach of the industrial system—in conflict with it."

Is Galbraith bitter about a society not yet run by Abolafia? If it's bitterness you want, try reading this aloud, as it must have been written, with clenched teeth:

"Aesthetic goals (today) must usually prove that they yield economic advantage."

But if Abolafia gets in, would

Galbraith feel better? Read his answer:

"Aesthetic goals would be accorded priority—and industrial efficiency would be subordinate to them."

He concedes, as Abolafia does, that this "would be inconvenient" and "usually achieved at some cost to economic growth." But he stands shoulder to shoulder with the hippie candidate, and with all the hippies in the world, when he declares that "Beauty is worth the sacrifice of some increase in the Gross National Product."

We haven't had an economist like that since Edna St. Vincent Millay. We haven't had an economic theory that made as much good, old-fashioned sense since she stated:

*My candle burns at both ends;
It will not last the night;
But, ah, my foes and, oh, my
friends—
It gives a lovely light.*

Galbraith says it better, of course, and Abolafia says it even better than Galbraith. But it is the sort of thinking that made the Insull empire, Farouk, and Billie Sol Estes the household words they are today.

END

REPRINTS of "Al Capp on: The Hippie Economics" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

How GM does it

COMPETITIVE INNOVATION-- KEY TO PROGRESS



Mr. Donner has been GM's chief executive officer for the past 10 years. He is known for his analytical mind.

BY FREDERIC G. DONNER
Chairman, General Motors

Competitive innovation has been—and continues to be—a major force in American industrial and economic progress. In the highly competitive automotive industry, maintaining leadership demands increasing effort, larger expenditures and more imaginative research—all focused on the vital necessity for innovation in our products, our manufacturing efforts and in distribution.

Recognition of the importance of competitive innovation is basic to an understanding of all that we do in the auto industry. The annual model change is a good case in point because it both imposes the discipline of a deadline on innovation and gives all of our merchandising effort a new impetus. Each new model is expected to be distinctively better than its predecessor and, hopefully, than its competition—in terms of safety, durability, over-all performance and attractiveness. All of our efforts are directed toward an annual deadline of improved accomplishment represented by our annual model change.

The importance of innovation to industrial, economic and social progress—both here and in other parts of the world—is receiving increased attention. However, it is not generally recognized that innovation in a dynamic industrial society is a highly disciplined process.

In a competitive enterprise economy, these disciplines serve as balancing forces to assure that innovation represents constructive change—not just change for the sake of change. These forces channel and moderate the ongoing process of change and make the innovative process practicable.

Here are some of the more important of these balancing disciplines which influence to a significant degree the direction of work at the General Motors Technical Center, the Proving Ground and, in fact, the over-all operations of General Motors.

Customers' wishes come first

First, and of paramount importance, is the discipline of customer preference. Producing what the

customer wants to buy and trying to anticipate his desires remains the most exacting discipline and challenge we face. Change—even beneficial change—cannot be forced on customers at a rate faster than their willingness to accept it. Conversely, no producer will long succeed who does not accept change as a way of life—with all of the risk which this implies.

Second, cost is a severe disciplinarian. The customer naturally weighs the benefits of an innovation to him against what it will cost. An important part of our efforts is directed toward innovations in cost reduction.

The third discipline of innovation is provided by the limit of existing technology. The outer fringe of technology is an ever-widening circle. But there are major areas in which substantial further progress is not possible without a major breakthrough—the discovery of a missing piece of the jigsaw puzzle which shows us where many other pieces fit.

The fourth discipline of innova-

tion is that of manufacturing feasibility. The best concept or design in the world is useless until it is translated into a component or product which can be produced efficiently and at high standards of quality in our mass production system. Here, too, competition inspires producers to do everything to narrow the time gap.

The fifth force which influences the pace at which we can utilize innovations is availability of capacity and resources on the part of our supplying industries. New materials, designs or products can be adopted only as rapidly as they are proved out, new processes developed and capacity provided to meet the volume requirements of our industry.

The sixth discipline of innovation is one of the most important—time. Time is a vital—and beyond a certain point irreducible—factor in our business. We must have adequate time for design, testing and production engineering. We cannot offer any product to the public until this critical and demanding process of proving has been completed. It is what we mean when we talk of “lead time.”

In short, the industry is spurred by the incentives of a profit-oriented economy to innovate as rapidly as possible, consistent with meeting the competitive requirement of overall product value.

The extent of our efforts in satisfying the diverse needs of today's demanding, discriminating and sophisticated consumer is evident in the broad variety of models, options and accessories we offer in both cars and trucks. This great product diversity does not make our engineering and production assignment any easier. But it does allow us to satisfy more effectively the broad transportation needs of the nation.

Key to Detroit's success

The ability of our industry to meet ever-expanding, ever-changing transportation requirements of our growing nation has been a major factor in its success over the years. Here again, the innovative process has been a vital factor in providing not only increased product variety but, even more important, a constantly improving standard of transportation.

General Motors has played a major leadership role in these continuing innovations which have

made the automobile an indispensable part of our personal and business way of life.

Paradoxically, it is the fact of rapidly expanding vehicle use in this country which has increased the need for improvements in such areas as traffic congestion and safety and air and water pollution. While these environmental challenges are now receiving increased attention from government and the general public, I can assure you they are not new to our industry. Our scientists and engineers have been working in these areas for a long time and their accomplishments provide the major scientific foundation for future progress.

Let me use urban transportation as an example of how economic growth has multiplied some of our most vexing environmental problems. The increasing use of motor vehicles in urban areas has exceeded the rate at which highways, parking and service facilities have been enlarged. The resulting congestion which often slows the rate of travel on the 50-mile per hour freeway to a snail's pace is a source of annoyance, frustration and waste.

Inadequate off-street parking has a similar result. These and other imbalances in the rate of urban transportation development and land use patterns have only recently begun to undergo serious analysis.

These are areas in which General Motors research is also deeply committed. They are areas of extraordinary complexity in which basic questions of technology, economics and politics interact.

In the area of transportation research in which we are engaged, we start with the clearly defined objective of taking into account the total transportation resources of our urban areas—including both personal and mass transportation. The key lies in finding and continuously adapting the combination of transportation modes so as to meet most effectively and efficiently each area's needs and the travel preferences of its citizens.

Pay their own way

The economics of these issues are especially complex. Ideally, each mode of transportation should be able to pay its own way. This is the only way to get an objective measure of travel preferences. In the case of the car and truck, an elaborate system of user taxes at

the federal, state and local levels has financed urban freeway construction and maintenance.

Most privately operated bus systems are also not subsidized. However, proposals are now being made to divert highway user tax revenue to subsidize other transportation modes.

In my view, such a system of tax penalties and subsidies would distort travel preferences, providing a very unstable foundation on which to build public transportation policy.

It is imperative in a free economy that we have a choice of the manner in which we move around and that we pay our way—reasonably and equitably—when we exercise that choice. If a mass transit system must be subsidized to keep it in operation as a means for achieving the larger goals of the community, the appropriate source of these funds is the general revenue of the community and not some special purpose levy.

In meeting the increasing challenges of modern America in such areas as transportation systems, traffic safety and air and water pollution, teamwork is imperative.

Federal vehicle performance standards are a new experience for our industry and for the federal government. We are hopeful that our process of learning to work together, while experiencing some difficulties in the early months of this year, will now progress to a sound relationship. Such a relationship, we believe, will bring the greatest progress in these important areas utilizing—rather than impairing—the innovative, competitive strength of our industry.

In seeking progress in these and other important areas, increased public understanding is a vital requirement. We must have a better public understanding, for example, of the relationships of employers and employees, of producers and consumers and between industry and government at all levels. Fundamentally, all of us have the same goals and ambitions. All of us want to progress—and we can move forward rapidly as long as we move together. **END**

[These remarks are excerpts from an address made by Mr. Donner at a conference of newspaper and magazine editors and publishers sponsored by General Motors on July 13, 1967.]

ROOTS OF UNION POWER part two



WIDE WORLD PHOTOS

How government fattens unions

"Every day is Labor Day with the Board," muttered a lawyer upon receiving a recent ruling from the National Labor Relations Board.

The lawyer phoned his client, the owner of a small midwestern factory, to impart the bad news. He told his client that he'd have to recognize a labor union as the bargaining agent for all his employees. There would be no secret election to determine whether the employees

really wanted the union—no matter what the law says about that.

Thus ruled the NLRB, which since 1935 has been charged with administering a large part of the national labor law.

The factory owner was shocked. He was sure that only a few of his employees wanted the union.

The case could be appealed, the lawyer said, but without much promise. The staff of lawyers at the union's international headquarters

would probably succeed in getting the case tried in one of organized labor's favorite courts.

And, added the lawyer, chances were slim that the present Supreme Court would consider the case, much less rule against the NLRB. During the Supreme Court's past term it refused to review 76 cases involving NLRB decisions and it upheld the Board in each of the six NLRB cases it did consider.

The manager shook his head in dismay.

"You mean my only choice is to bargain with the union or go out of business?" he asked.

"I hate to say this," replied the lawyer, "but the Board will probably rule that you can't even close your factory without first bargaining about it with the union."

The manager fell silent.

"Look," the lawyer consoled,

Associate Editor, WALTER WINCO, the author, specializes in labor-management affairs. The first article in his three-part report appeared in the August issue of Nation's Business. Reprints are available.



Exercising vast control over many decisions of employers and employees are, left to right, NLRB's Howard Jenkins, John Fanning, Frank McCulloch, Gerald A. Brown and Sam Zagoria.

"when you're management, it's something less than a disgrace to lose before the Board."

The lawyer's remark about the NLRB was a familiar one. Many consider the NLRB to be the main source of the enormous growth in the economic power of labor unions.

The federal government has built a pronoun structure of law harking back to the Wagner Act of 1935, which granted American unions special bargaining privileges.

Wage-hour laws, exemption from antitrust law, immunity from taxation, liberalized unemployment compensation, social security and other statutes have helped give union labor a leg up.

Gradually the unions, through manpower and money resources, have elected a majority of "friends" in both houses of Congress, plus supporters on courts and in high executive office on local, state and national levels. Compulsory unionism in a majority of the states has added to the union muscle.

But the National Labor Relations Board seems to nurture the roots of power most regularly and to af-

fect business management most directly.

The NLRB certainly is no ordinary federal agency. Last March it threw a party for itself in Washington. It was celebrating the twenty-five-millionth voter in an NLRB representation election.

NLRB officials went to a plant in Woodbridge, N.J., at which the Steelworkers Union has just succeeded in winning an employee election and picked from it a man named Leonard Paul Scheno. He, they decided, would represent the twenty-five-millionth voter.

When told of his selection, Mr. Scheno, a mechanic, made the following statement, according to the NLRB's press relations department:

"I was impressed at the way the NLRB people conducted the election, the absolute guarantee of ballot secrecy. And as to giving workers a vote in their own future, NLRB elections like this one make sense."

Board's new policy

While on the one hand the NLRB has been praising itself for the number of representation elections it has

ordered—about 250,000 over the past 31 years—on the other hand it has been building up a whole new policy enabling unions to avoid such elections.

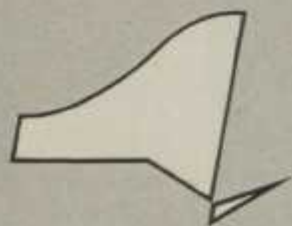
Unions are learning that they can sometimes achieve recognition at a plant simply by maneuvering a member of management into committing one of a multitude of actions which the Board will tag an unfair labor practice. Such was the fate of the factory manager above.

This NLRB-approved tactic has been especially helpful to unions trying to organize firms where employees don't particularly want unions.

The official role of the NLRB, as set down in the labor law, is to determine appropriate bargaining units and what unions, if any, will represent those units. Its other main function is to investigate and make findings on alleged unfair labor practices.

A frequent management complaint is that the NLRB misreads its statutory mission and is obsessed with the virtue of unionization. Some contend that NLRB members

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HOW GOVERNMENT FATTENS UNIONS

continued

think managers have no legal right to oppose unionization of their employees.

The NLRB's guiding star has been the preamble of the National Labor Relations Act. There it's stated that the law's purpose is to promote collective bargaining and to guard the rights of workers to organize if they so wish.

Both in their speeches and in their official proclamations, NLRB members have zealously interpreted the preamble to mean that unionization is preferable to nonunionization and that the NLRB's job is to promote unionization. The general result has been an expansion of union power at the expense of the rights of employers and employees.

NLRB decisions and direct actions have blurred the Taft-Hartley amendments to the labor law intended to protect both the individual worker's freedom to refrain from unionization and undue pressures from unions and the employers' right to speak out against unionization.

The NLRB often is accused of usurping Congressional authority and acting as if it were the policy-making body for the nation's labor law. Even the Supreme Court has referred to the NLRB's "unauthorized assumption" of "major policy decisions properly made by Congress."

Guy Farmer, former NLRB chairman, observes that although most members of today's Board "are lacking in an understanding of the collective bargaining process," they "try to foist their ideas on the everyday working world with a kind of evangelistic fervor."

"The Board believes that if the union loses, there will be no effective bargaining," Mr. Farmer adds.

Management representatives have vainly argued that not only is negotiation over wages, hours and benefits possible without unions, but that it occurs successfully every day without strife at nonunion shops throughout the land. They claim that economic conditions, the competition for labor and normal management concern for employees' welfare are doing the best job in determining wages and benefits.

The NLRB's consistent refusal to see this, they say, has resulted in a loss of confidence in the NLRB throughout the business community. Objections to NLRB decisions have more than doubled in the past five years.

Although the NLRB is often ingenious in coming up with pronoun decisions, it seems to lose all faculties when facing problems of controlling the excessive power of unions.

NBC news reporter David Brinkley last year said of the NLRB: "It is supposed to be an unbiased, adjudicating body somewhat like a court. It usually behaves like a department of the AFL-CIO, and is about as neutral as George Meany."

AFL-CIO President Meany and other union bosses took issue with that remark, but members of management generally agree that the NLRB maintains double standards.

Which side are you on?

A management lawyer, for instance, recently phoned NLRB headquarters in Washington. Before giving the lawyer the answer to his question, the man taking the call at the NLRB inquired, "Are you management or labor?"

Hardly a week goes by without the NLRB spewing forth some new, sweeping decisions that add to union power.

"After 30 years the Board is still looking for 'new and imaginative remedies,'" says Mr. Farmer. "There are no bounds to the Board's imagination."

He cites the Excelsior Underwear, Inc., case as a prime example of how the NLRB bolsters union power. In this, the Board first proclaimed its self-made law that firms must give unions the names and home addresses of its employees during union election campaigns.

It's a ruling that even a sister federal agency, the U. S. Civil Service Commission, can't stomach.

The Commission, which is the personnel agency for all Federal employees, explains that it won't turn over such confidential information to unions, because that "would not be in keeping with the posture of neutrality which management must maintain."

"It would," the Commission adds, "be assisting the [labor] organization directly."

Invasion of privacy

Lawyers for private industry have vainly argued that a list of names and addresses is a thing of value. Handing the list to a union would thus be a violation of Section 302 (a) of the Taft-Hartley Act which forbids employers from delivering a "thing of value" to unions.

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trying to represent his employees.

The NLRB, which is not a court, long ago ruled that giving out employees' addresses, even against the employees' wishes, is not an invasion of privacy.

The NLRB recently pushed its *Excelsior* ruling another step. It required a firm to give a union the names and addresses of all employees in a bargaining unit even though the union had already been named to represent the unit—and even though many of the employees were not members of the union.

The NLRB showed its colors again, critics claim, in its attitude toward the union tactic of coalition bargaining. In this tactic, several unions gang up on a single employer who is trying to negotiate a labor contract with one of the unions. The NLRB says such ganging up is okay.

The Board ruled differently back when the same unions were seeking representation in the same firms. In those days the NLRB considered the various unions as competitors. Each union was doing its utmost to convince groups of employees that it alone could best represent their interests.

Now the "competitors" are allowed to erase old demarcations and engage in common planning and actions.

Another recent NLRB action that makes management see red is its distribution of posters for display on the bulletin boards of nonunion firms.

The posters are the brainchild of the newest member of the five-man Board, Sam Zagoria, former presi-

dent of the Washington Newspaper Guild, AFL-CIO.

The posters take pains, employers complain, to describe actions that would be unfair labor practices on the part of management. But they make only passing nods at unfair labor practices by a union.

Management lawyers claim further that the whole tone of the posters implies that the federal government wants employees to join unions. One suspicion is that the NLRB will soon declare that failure by management to hang the poster—combined perhaps with some other actions—would indicate a lack of good faith on the part of management. And that, in turn, would constitute an unfair labor practice.

The Board has been developing the concept that if an employer is suspected of having merely a preference to remain unorganized, he probably has a disposition to commit unfair labor practices. This, coupled with other attitudes or actions can total up to a violation of the labor law, in the view of the NLRB.

Even though the Board may find nothing illegal in any single action of an employer, it often rules that the total effect—or the "totality of conduct"—can create an illegal "coercive atmosphere."

"One might well reach the conclusion," says F.A. O'Connell, vice president, employee relations for the corporate division of Olin Mathieson Chemical Corp., "that the totality of the Board's own conduct adds up to a bias in favor of unions and against management."

The NLRB has been accused also of favoring big, established unions, particularly those of the AFL-CIO, as opposed to new, small unions. This attitude has further helped to concentrate union power.

Some small unions of skilled tradesmen, such as the International Society of Skilled Trades, can't even get a hearing before NLRB tribunals. The Board takes the attitude, for example, that special craft unions can be organized only where no union now exists, no matter what the employees might want.

John H. Fanning, the only Eisenhower appointee left on the Board, has charged that his colleagues thus are ignoring the "statutory admonition to assure employees the fullest freedom in exercising the right to bargain collectively through a representative of their choice."

Throwing their weight around

The NLRB is adding to the ability of unions to throw their weight around in many other ways. To name a few, the Board is:

- Eroding rights that traditionally have been considered basic functions of management.

The NLRB has compelled employers to consult with the union before making such business decisions as contracting out work, changing operating procedures, moving a plant, redefining jobs, automating, eliminating featherbedding and other wasteful work practices, expanding a plant or closing an unprofitable operation.

- Requiring firms to turn their bulletin boards over to unions.
- Ordering continual re-elections at



Sen. Robert P. Griffin (R-Mich.) would replace NLRB with a special labor court comprised of 15 judges well versed in Constitutional law.



Rep. Robert Taft Jr. (R-Ohio) is quite concerned that federal NLRB has distorted that part of the labor law his famous father helped write.



Sen. John G. Tower (R-Texas) has a bill for restoring decisions about unfair labor practices cases to the district courts, instead of NLRB.



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HOW GOVERNMENT FATTENS UNIONS *continued*

firms that unions are especially anxious to unionize.

The AFL-CIO's Textile Workers Union, for example, has been trying to make inroads into southern textile firms.

Already, employees of the J.P. Stevens & Co., the nation's second largest textile firm, have had to vote their disapproval of the union in eight separate NLRB-sponsored elections.

- Rendering meaningless the Taft-Hartley restriction against feather-bedding.

- Making a firm give vacation pay to union members who had been on strike for seven months—long after their labor contract had expired. There was no proof of anti-union motivation on the employer's part in this case.

- Requiring an employer who had moved his plant from New York to Florida to bargain with the old union without establishing whether the majority of the employees at the new location even wanted the union.

Even the U. S. Court of Appeals for the District of Columbia, usually a union haven, turned down its thumb on that NLRB caper.

- Giving more weight to signed union authorization cards—which have often proved to be fraudulent—than

to employee votes in secret elections.

- Forcing management to allow union representatives to enter company property and present the union pitch on company time to employees who already have voted against the union. This, even though the Supreme Court once ruled that an owner has a right to forbid outside organizers from treading on his property.

- Forbidding the purchaser of a business from setting up new wages and other benefits. It did not matter to the NLRB that the labor contract between employees and the old owner had expired before the sale.

- Restricting management's right to lockouts while expanding unions' strike power.

- Curbing employers' right to free speech during a unionization campaign. It is a grim but standing joke among labor lawyers that in the eyes of the NLRB, management propaganda is illegal to the extent that it is effective.

- Ruling that employees who have quit and found other jobs during a strike still must be counted as part of the bargaining unit, thus giving the union the majority it needs to be recognized.

- Ordering that persons buying a

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firm bear the penalties imposed by the NLRB on former owners for what the NLRB had ruled were unfair labor practices.

- Finding clever ways to get around labor law restrictions against secondary boycotts, which drag neutral persons into union labor disputes, and blackmail picketing, which forces an employer to recognize and bargain with a union without an election.

- Requiring an employer to bargain with a union on the basis of union authorization cards that were collected less than a year after the employees had rejected the same

union in a NLRB election. This, even though Congress had written into the labor law that there must be at least a year's delay between union representation elections at any plant.

Businessmen at sea

The vagueness of NLRB standards often confuses businessmen about whether what they are doing will be considered right or wrong.

Once NLRB Chairman Frank W. McCulloch spoke to a group of management executives. One man in the audience kept pressing him for a clear explanation of a recent NLRB ruling on subcontracting. Finally, Mr. McCulloch suggested that the questioner consult his lawyer on the matter. It turned out that the questioner was the leading management lawyer in the state.

The NLRB is busy examining still more areas to move into. It is, for example, considering requiring management to bargain with unions over benefits for former employees who have already retired. These are people who up to now have not even been considered as part of the bargaining units.

The NLRB also is studying whether it can get away with fixing wages for employees of firms which it has charged with refusing to bargain with unions. Unions are urging the Board to determine what wages would have been had the employer bargained and then to award this amount in back pay plus interest.

Unions want still more

Unions want the NLRB to go still further. At its last convention, the Electricians Union (IUE) adopted the following "suggestions" for future NLRB rulings:

1. Bar any firm from government contracts for two years if the NLRB decides it has committed an unfair labor practice.
2. Make employers fork over triple back pay for any employee whom the NLRB feels was discharged for lack of good cause.
3. Further formalize the NLRB's approval of union coalition (gangup) bargaining techniques.

Management representatives wonder if NLRB excesses can ever be curbed. It has been suggested that Congress should expand the number of Board members in hopes of getting in some men with a better grasp of the free enterprise system.

Many union leaders, however, also

favor expanding the NLRB, since they believe it would mean just that many more political plums for unionists.

If for no other reason than the fact that the President appoints members of the NLRB, unions are deeply involved in national politics. It is often said, however, that all appointments to the NLRB must first be cleared through AFL-CIO chief Meany.

Rep. Robert Taft Jr. (R-Ohio), the son of the Senator who authored the Taft-Hartley law 20 years ago, was asked whether his father would have been pleased with the way the courts and the NLRB have interpreted the law. He just laughed.

Rep. Taft, himself, supports abandonment of the NLRB altogether. He favors turning over the job of deciding both representation questions and unfair labor practices cases to a special 15-man labor court. It would be similar to the Federal Tax Court with members appointed for life—an independent judicial body with an appropriate respect for law.

The labor court idea is contained in a bill introduced by Sen. Robert P. Griffin (R-Mich.).

Another approach is in a bill introduced by Sen. John G. Tower (R-Texas). It would give the NLRB's power to rule on unfair labor practices to the federal district courts. The NLRB would continue, however, to determine what groups of employees make appropriate bargaining units.

The main argument for the Sen. Tower proposal is that labor affairs should never have been excluded from the normal judicial machinery in the first place.

The idea—prevalent among too many jurists, legislators and administrators—that there is something so special about labor matters that they even transcend individual rights, has been at the very core of the tremendous and dangerous growth of power among labor unions. **END**

[Next month: Part III—Reducing union power.]

REPRINTS of "Roots of Union Power, Part II—How Government Fattens Unions" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.



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A. They are the new U.S. Savings Notes — a companion product to the Series E Bond.

Q. Who may buy Freedom Shares?

A. Any individual who purchases Series E Bonds regularly through a formal plan — either Payroll Savings where he works or Bond-a-Month where he banks.

Q. What is the interest rate on Freedom Shares?

A. 4.74% compounded semiannually, when held to maturity of 4½ years. The rate is less if redeemed prior to maturity; and they may not be redeemed for at least one year.

Q. Does this same rate now apply to E Bonds?

A. No. E Bonds continue to return an average of 4.15% when held to their seven-year maturity.

Q. What do Freedom Shares cost?

A. They are issued in face amounts of \$25, \$50, \$75, and \$100. Purchase prices are \$20.25, \$40.50, \$60.75, and \$81.00.

Q. Can Freedom Shares be bought by themselves?

A. No. They must be bought in conjunction with E Bonds of the same or larger face amounts.

Q. Can I buy as many Freedom Shares as I want, as long as I buy E Bonds of the same or larger amounts?

A. No. On Payroll Savings, Freedom Share deductions are limited to \$20.25 per weekly pay period, \$40.50 per bi-weekly or semimonthly pay period, \$81.00 per monthly pay period. On Bond-a-Month, the limit on Freedom Share deductions is \$81.00 per month.

Q. How will the Freedom Shares be registered?

A. Registration must be identical with the E Bonds bought in combination.

Q. Are Freedom Shares subject to taxation?

A. The same as E Bonds. Interest is subject to Federal income tax, which may be deferred until maturity or redemption (whichever comes first). Interest is not subject to state or local income taxes. Current values are subject to estate, inheritance, gift, and other excise taxes, both Federal and state.

Q. Will Freedom Shares be extended beyond maturity, as E Bonds have been?

A. No. Under existing law, there is no provision for extension.

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Seven sure-fire weapons for trouble shooters

An experienced business executive offers you some practical advice

Don't knock trouble. It's what keeps you in business and helps you grow. If you are the head of your business, you undoubtedly have trouble to thank for it—or more specifically, your ability to cope with trouble and cut it down to size.

Depending on your point of view, troubles in your company can be either headaches or opportunities.

Here are some ways of operating which I have found really work in shooting down troubles in your business:

- First, get out of the ivory tower. It's like driving a car with the windshield blocked. You don't know where you're going. When trouble lumbers along, you'll get clobbered before you have time to avert it.

Get on the scene where you can watch trouble approach and can ward it off. The savvy manager stays close to the action, the transaction and the reaction.

He probes, observes, questions, experiments, builds up experience.

- Next, prospect for clues. In the business of trouble shooting one object is to spot symptoms. There's an old French proverb, "Follow the river and you will find the sea." That's how it is with tracking down troubles.

Scout around for profit leaks. Don't settle for surface appearances. Talk to your people. Question their actions, their reasoning, their motivation. Look under the rug, so to speak.

Solve a problem a day

Here's a tried and proven success tip: Resolve each day to track down at least one item that is not being handled to your complete satisfaction. What kind of things should you look for? Here are some thought starters:

1. Workers clustered around a desk, machine, water cooler.
2. An obviously ho-hum work pace.
3. Evidences of waste, careless handling of material.
4. Angry, heated telephone conversations.
5. Abundance of workers coupled with shortages of work. (A vice president of a leading national manufacturer said if he doesn't have a need for overtime for at least five per cent of his work force, he has too large a work force.)
6. The same amount of overtime for each person or each department for every day and every week.
7. Bottlenecks and delays in any area.
8. Desks piled too high with backlogged paper work.
9. Continuously confused or hectic operation in any area.

ROBERT E. LEVINSON, the author, is executive vice president of Steelcraft Manufacturing Co. This article is adapted from a chapter in his forthcoming book, "The Knack of Developing and Using Management Savvy," to be published in November by Parker Publishing Co.



10. Attitudes of your people. You'll sense that one man is bored with his work, another indifferent, a third bitter, a fourth irritable—all trouble signs. You'll also spot potential leaders, people who are bright, alert, conscientious, hard-working, those you can count on to back you up in your trouble-tracking crusade.

Get yourself a trouble-shooting "black book" and keep it with you at all times. Don't trust to memory. Jot down those telltale signs as you spot them, loopholes in systems, misuse of machines, tools, materials. Most of all the floundering of people.

For some reason it's always easy to spot problems in someone else's department or company. Try to visit other companies and look over their operation.

In short, play the role of the trial attorney gathering evidence.

Give key men responsibility

- Third, saddle key people with responsibility.

Here's a good way to build your organization and reputation, and at the same time minimize trouble in your department.

A few weeks ago we put a new man in as head of a department.

"You're coming in here with a fresh perspective," I told the man. "I want you to challenge everything you see. I want you to get at the profit reason behind every action that's taken. If there's no profit purpose, eliminate the action. If you see something you don't like, change it. Or at least question it. Stick with the status quo and I'll assume that you subscribe to the action."

I also let him know that I'd be back from time to time. I'd ask questions, and I'd want reasonable answers.

"I don't want assumptions," I said. "I want hard-nosed explanations. In time I'll expect you to be

able to stand up like a trial attorney and defend everything that's being done in your department."

And I told him one thing more: "The last man who held this job was unable to do this. That's why you have the job today."

- Next, convert subordinates into expert troubleshooters.

A few weeks ago a credit supervisor came to me with an order in his hand.

"What do I do with this guy?" he wanted to know. "We've been doing business with him for almost five years. He owes us \$10,000. His account is four months past due. Now I've got a new order for \$2,200."

He filled in some more facts, the customer's D&B rating, his history, information about his operation. Then he stopped talking and waited for an answer.

No answer. I sat there gazing at him. I didn't respond. The fellow shifted uneasily.

Finally I said, "You're waiting. So am I. I'm waiting for the rest of the story; the second half."

He frowned, puzzled.

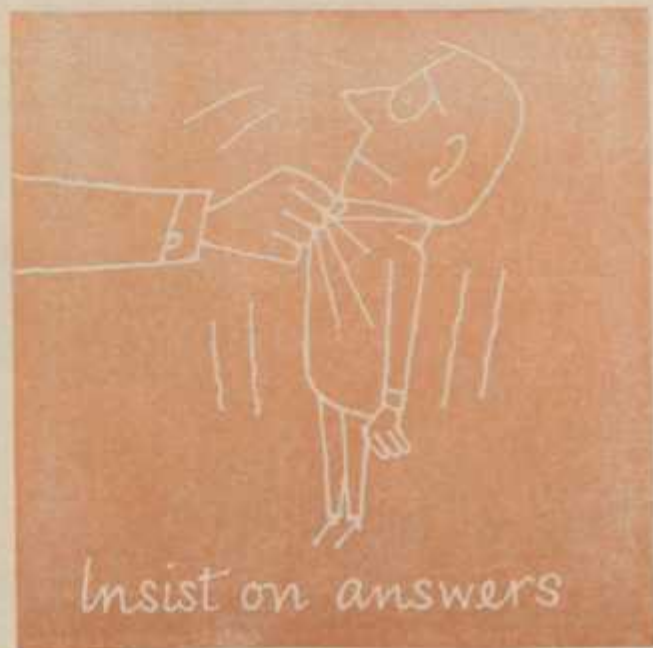
"What's your recommendation?" I fired at him. "You're the credit man. I want to know what you think we should do. If I don't agree with your judgment, I'll say so. If there's a problem you can't handle, I'll help you work it out if I can. But I want your opinion. I want your thinking on the subject."

Get the point? My credit man did. It's a point I harp on regularly in our training and development program.

"Don't come to me with problems," I tell my people. "Come with ideas, actions, alternatives. Bring me answers."

Meet trouble head-on

The value is clear. When you force a man to tackle trouble, he develops the knack for coping with it. And



it helps him to overcome his fear of it. The more troubles you tackle, the less formidable they appear. My philosophy is this: If you regard each trouble as a character-building and savvy-building experience it will bring out the very best that is hidden within you. It goes for you. It goes for your people. It goes for all of us.

Several weeks ago, the customer service department was getting a rash of complaints. My trouble-shooting flag popped 15 feet into the air. Step one, track down the reason for the complaints. Customers were getting a lot of wrong merchandise.

I went down to the shipping department. "Bob, what's wrong? Why are so many shipments going out wrong?"

Bob frowned. "We're aware of the situation. We're studying it. Every time a complaint is called to our attention, we make a record of it."

"Fine," I pointed out. "At this rate, in three or six months, you'll have the answer. But that's not good enough. I want the answer now, today."

You know, in some companies statistics are kept on everything. They're record-happy. They can trace back events and transactions to the Year One. You get the impression sometimes that the outfit is running a history class instead of a business.

"Bob," I said, "the record-keeping is fine. But in the meantime the customers are continuing to receive the wrong merchandise. Why?"

He had no answer, so we found one together. I picked up a shop order and looked at it. There were strange markings on the face of the document, instructions, directives. "Who puts on this stuff?" I asked. "Some of it looks pretty confusing to me."

"Well, it's copied in the factory from the original order," Bob replied.

"Who copies it? Let's go talk to him." We took a walk to see the man who did the copying. I pointed to the shop order I was holding in my hand. "Show

me the original order from which this was developed."

The man dug into a file, and pulled out the original order. There were two long paragraphs of instructions on the customer's document. The markings consisted of a condensation of these paragraphs. I could see at once that here was the root of the problem; without the records, without the history.

"Let's call a meeting," I suggested. We kicked around the problem. We set up consistent standards and rules of procedure for transcribing instructions from original orders to shop orders. We made sure that each entry meant the same thing to each individual responsible for working with it. It was no longer left to the impressions and interpretations of one individual.

Action's what counts

What really counts in management is the action you take. One businessman I know puts it this way, and I am in complete agreement: "To look is one thing. To see what you look at is another. To understand what you see is a third. To learn from what you understand is still something else. But to act on what you learn is all that really matters."

- Another key element in the formula for trouble-shooting success is to fire the right questions at the right people.

So start today to build your own personal questionnaire based on your own experiences and observations recorded in your own section or department or business. In working up your list, dig down deep. Get to the source of the action, the conflict, the document, or whatever.

Individualize your questions, keeping in mind the special characteristics, weaknesses, strengths and motivations of your people. First, pinpoint the problem. Then pinpoint the questions that are most pertinent to the problem. And fire them at the people most directly responsible for the functions involved.

The more advanced your skill in this art, the more probing and sensitive your questions will become. The reward is clear. Uncover the right questions and the facts you want to know will come to light. For every question there's an answer. For every answer there's a process of logic and reasoning that takes place in the mind of the responder.

- Another proven way to avoid or resolve troubles is to keep the customer in mind.

What do your company's customers mean to you? One businessman answers the question as follows: "The customer doesn't need us, we need him. The customer is not an interruption of our work, he is the purpose of it. A customer is not an outsider to our business; he is the most vital part of it."

Nip trouble in the bud

More and more American companies today are going to considerable extremes to woo the customer and keep him won.

At Gates Rubber Co., for example, "quality auditors" periodically visit key jobbers. The trouble-shooting objective is to uncover product and operating



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the way in reducing airfreight rates. Next year, for the third consecutive time, we will put into the air the world's largest all-cargo fleet, ten DC8-63F Jumbo Jets. □ We've come a long way in 22 years—because we have been first with the things airfreight shippers need most. As the airfreight industry continues to grow, Tigers will continue to lead the way as "The Airfreight Specialist."



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deficiencies before customer irritation can set in. The auditors track down product defects. They check adherence to delivery schedules. They check condition of merchandise on arrival, quality of service, paperwork errors, attention to adjustments, and any other inconveniences possibly suffered by the customer.

Westinghouse Electric uses another effective technique in its continuing effort to sidestep that familiar synonym for trouble—customer complaints. It has new product performance pretested in the homes of quality engineers. The objective is clear—to pinpoint potential problems before they can develop into the kind of trouble that spells disgruntled customers and reduced profits.

- Finally, you can ward off trouble by putting yourself in the other guy's place.

What makes a top-notch salesman perform outstandingly? His ability to get into the prospect's mind and divine what he is thinking and how he will react.

The first-rate troubleshooter operates the same way. He can climb into his customer's or somebody else's skin and assess the product, the service, the operation, from his point of view.

Let me cite an example. Recently I had occasion to visit a customer's place of business. Usually this man was happy to see me. This time his greeting was a scowl.

We had made a late shipment on an important job. "May I see the bill of lading?" I asked. All he had was a shipping notice.

Without the bill we were unable to actually pin down the date we shipped the order. But the customer knew we were late. I promised to look into the situation immediately, and returned to the plant.

Back at headquarters I started making the rounds. I fired a battery of questions at different individuals.

As I asked the questions and explored the situation I kept one person in the foreground of my mind at all times—that disgruntled customer. Each person I

talked to had his own story, his own point of view, his own justification or rationalization for what had taken place.

I set up a new procedure so that the actual date of shipment was on the shipping notice. The customer usually separates the bill of lading from the notice. His accounting department must pay the shipping bill and match it with the bill of lading. His order department keeps the shipping notice.

Our system—putting shipment date on the bill of lading only—was fine for us but not good for the customer.

Put yourself in other's place

But you can multiply this technique to encompass every individual with whom you deal. Master the art, and you will add skill and power to your judgments and decisions. In tracking down trouble, or seeking to avert it, you'll be dealing with suppliers, competitors, associates, superiors, subordinates, a host of other people.

You gave a subordinate an instruction. He didn't carry it out properly. Why not? Climb into his skin and find out. Was it due to some inherent weakness in his makeup? What did he stand to lose by obeying the order? What could he gain by ignoring it or changing the procedure? There's a purpose behind every deed and every response. The place to search for the purpose is in the other fellow's mind.

A supplier promises delivery of a much-needed item. The item doesn't arrive. Why not? Shift your imagination and you may find out. Maybe he's overloaded with orders, short of people. He's aware your shipment is past due and vitally needed. But so are other shipments. Maybe your competitors are breathing down his neck harder than you are. Maybe his operation isn't big enough to cope with your needs. Maybe you're not big enough, from his point of view, to warrant priority over other more important customers. Where are the answers? They're all in his mind.

You're a department head. One of your people starts making a rash of errors. Put yourself in her chair. Maybe the system has been changed, and she has difficulty understanding the new way of doing things. Perhaps she's having family troubles, and needs a sympathetic ear. Observe. Probe. Analyze the operation, and the individual who is operating. Latch on, if you can, to the other person's point of view.

The more advanced your skill in this art, the more probing and sensitive your questions will become.

As Henry Ward Beecher said:

"Troubles are often the tools by which God fashions us for better things."

The trick is to face up to them and to train your people to do the same. **END**

REPRINTS of "Seven Sure-fire Weapons for Trouble Shooters" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1000 or more, 12 cents each. Please enclose remittance with order.



SPREADING THE WEALTH

Dollars pour into Iran as the West shows how free enterprise works in Russia's own back yard

TEHERAN, IRAN—The hairless head of Ali Khaladj Zadeh bobs up and down, the corners of his lips curl high in an immense grin. The round belly of this old Iranian farmer quivers when he is asked how many grandchildren he has.

"10, 12, maybe 20," he laughs.

He does not know for sure.

But Ali does know where his grandchildren are—in the new school house at the end of the lane outside the mud walls of his village. The grandchildren are the only members of his family who ever learned to read and write. Their school is the first in the 4,000-year history of his village.

Ali's grandchildren, old Ali himself and all the other country folk of Iran who never saw a doctor before also are getting medical attention now. The women of the country finally have the vote after decades of waiting, wearing the veil, feeling inferior. And Ali, for the first time in his 70-odd years, owns land—40 hectares of it.

Ali's village is Meshginabad near the city of Karadj which lies astride an ancient camel caravan route to the east of Teheran.

Building schools, educating the people, distributing farmland, giving the ballot to "the other half" and increasing medical services are all part of a revolution created to a large extent in cooperation with the

Associate Editor Sterling G. Slap-py interviewed a variety of Iranian and American capitalists in Iran in gathering information for this article. He is a veteran of 15 years of foreign reporting.



Ali Khaladj Zadeh

enterprise and investment of American corporations.

It's called the "White Revolution" because it is so unlike Russia's Red Revolution.

The revolution is attracting a swelling number of American firms that are joining the giants already here—Allied Chemical; Goodrich, Firestone and General Tire companies; Chrysler; Phillips Brothers; American Cyanamid; Bank of America; Bechtel Corporation; Canada Dry; Coca-Cola; Caterpillar Tractor; IBM; ITT; Colgate-Palmolive; Development and Resources Corp.; Ray-O-Vac; Foremost Dairies and the oil companies such as Esso, Gulf, Mobil, Texaco, Standard Oil of New Jersey and Standard Oil of California.

These firms were not affected by the Israeli-Arab war (Persians are not Arabic) and the Abadan oil refinery never shut down.

Money is being safely made here

by scores of other American companies. It can be repatriated. There is ample labor, and both the people and the government are sympathetic to Americans.

The total amount of American investment cannot be accurately estimated because the figure increases so rapidly.

British businessmen were first on the scene in large numbers. Then came a richer, larger flood of Americans. Germans are moving in now.

In the past year, Soviets, Czechs and Romanians have struck deals. The communists' growing commercial influence is making Iran an intriguing arena for East-West commercial competition.

They made the revolution

The Shah of Iran has every reason to hate communists. They forced him to flee to Switzerland temporarily in the early 1950's.

Iran's White Revolution was brought about by the conservative Shah, by Persian moderates and businessmen (especially bankers) who knew that if they did not hurry along changes in their feudalistic society the communists would return to power once again and make their own brand of changes.

The revolution has been a dominant force in removing Iran from the clutch of Marxism and it may in the future set an example for poorer countries far beyond Iran.

The White Revolution erupted at the top. It was thought of soon after Iran—with the help of British intelligence agents and the CIA—threw off the rule of the communist Tudeh Party in 1953. Premier Mohammed



New schools are added daily under Iran's educational revival. They often are one-roomers. Teachers are young army sergeants who are high school graduates.

Mossadegh was a tool of the Tudeh which tried in the 1950's to nationalize the Western-owned refinery at Abadan and the entire oil industry.

During the White Revolution, no bomb throwers ran through the streets of Shiraz, Isfahan, Tabriz or Teheran shouting sedition, killing landowners or subverting the police.

Instead, it was planned that the Shah's revolution would increase the scope of free enterprise, add millions of people to ownership rank and help the government get out of more than 200 large industrial ventures by turning them over to private ownership.

After five years' implementation the revolution seems a success. But

the Shah has made it a one-man show. He is an autocrat, albeit a benevolent one. He determines the kind of life his 24 million people will have.

During these five years the number of people, like Ali of Meshginabad, who own a piece of land, a shop, or part of a business has increased from 30,000 to over four million.

Each is now a little capitalist.

Another strength of the White Revolution lies in its largely voluntary nature. Neither the school house in Meshginabad, nor any of the other 15,000 new schools built during the revolution, was forced on the people. If elders of a village want their children educated, they must build the school and ask for a teacher.

None of this business of Teheran forcing it down their throats.

One million young and old people have been taught reading and writing since 1963. Three fourths of them live in villages which formerly had no school. Teachers are specially trained young army sergeants.

Before the revolution less than eight per cent of the people got any education. More than 20 per cent are learning now and within a decade everyone will have schooling.

Teaching people to read and write, providing libraries, magazines and newspapers are ways of holding back communist encroachment.

Redistributing land

So was land distribution.

First the Shah suggested that landowners transfer investments from lands they did not till or care

SPREADING THE WEALTH *continued*

about (often idle land) and put the money into industry. He divided his own crown estates, sold land at fair prices and on long terms to his former tenants. He also took the government out of agriculture by distributing all public domain land which was used for farming.

Slowly, at first, landowners began disposing of some of their estates. The Shah increased the pressure, but landowners have never been forced to sell all of their land. Ninety per cent of them have elected to sell some and lease out the remainder.

The Shah did force the sale of portions of larger estates which owners did not work and rarely even saw. This was transferred against compensation in annual installments. Then the government provided opportunities for the voluntary reinvestment of money collected for the land in former government-owned industries and commercial ventures. Farmers were given good terms and their credit assured. This was opposite to communist land expropriation.

Nearly half the people of Iran were involved in the land program.

Agriculture production increased during the period when tenants became capitalists. Production this year is up for wheat, barley, dates, raisins, sugar, apricots and other crops.

Lesser phases of the White Revolution have been to rebuild forests, encourage voluntary profit-sharing plans by 1,076 companies and establish local courts to handle minor legal cases. The Shah wants to increase village government and lessen reliance on Teheran.

Now rivals Beirut

The Shah is now on the high-wire of popularity. With its \$600 million yearly income from oil and its growing affluence from the revolution and American investments, Iran has moved into solid solvency. Its budget is balanced and in recent months Teheran has even bid to replace Beirut as the banking capital of the East and Middle East.

To call Iran democratic, of course, is silly. Iranian elections are largely a joke and the "opposition" is kept at a bare minimum for exhibit only.

The Iranian press is not free.

And in many ways Iran is a police state. The Shah spends a half billion dollars a year on his army and he keeps it happy.

His benevolent dictatorship seems an effective kind of government in

this part of the world. The governments of the United States, Britain, Germany and the others in the West look on the Shah as a man they can do business with and who at the same time is developing his country at a healthy pace.

The national cabinet and its network of political and economic advisers are made up mostly of technicians, rather than politicians. They are mostly young men, many American-trained.

His army and gendarmery are distinctly American oriented, trained and equipped. The Pentagon keeps a team of generals, colonels and other officers in Iran as advisers.

Two thousand Iranian university students are in the United States and 4,000 in Germany. There are practically none in USSR universities. As many as 360 Peace Corpsmen at a time served in Iran and in the past two years 60 retired American businessmen have gone there for the International Executives Service Corps to advise and modernize Iranian industries and companies.

The first Point-Four aid program money went to Iran 15 years ago and since then there have been development grants and loans as well as World Bank and Import-Export bank loans. America's aid packet totaled one and a half billion dollars. U. S. aid is phasing out now because the country is at the takeoff point where it can make its own way without handouts and cheap interest rates on loans. Many Iranians disagree loudly with this. They want low interest, long terms and continuation of handouts. They are not likely to get them.

The Shah is a proud man. He often serves coffee to guests in silver cups while he uses a gold cup. His attitude is cocky, even conceited. He has had a great run for nearly 15 years and he obviously feels he can't go wrong. He finally has a wife (No. 3) who bears him sons and this has added to his self-confidence.

Arms deal with Soviets

He did go against the advice of the United States last autumn and made a \$110 million arms barter deal with the Soviet Union. There was immediate reaction from Washington, London, Bonn.

He received from the Soviets anti-aircraft guns, trucks and nonso-phisticated military materiel.

The Shah has eight years to pay off the loan and interest rates are



Many American business names are almost as familiar here in the East as they are in the U. S.

two-and-one-half per cent. And he pays with natural gas which Iran has been flaring off for 20 years.

Iran sought U. S. and Western arms instead of Soviet equipment, but the Reds made the better deal.

A new 750-mile pipeline to the Soviet border will swing past several big Iranian cities and make gas available for the first time to the people there. The Shah got western help in laying the pipeline.

The steady flow of gas will give Iran a product it can trade to the Soviets for decades to come.

As a bonus on the deal, the Shah claims he cut the ground from under the local communist movement which has been saying he was a lackey of the United States.

This outlawed Communist Party feeds violent anti-Shah material to Red propaganda radio stations in



PHOTO: STANDARD OIL CO. N.J.

Pipelines of Standard Oil of New Jersey feed oil into waiting tankers at the head of the Persian Gulf. Iranian oil is produced by a consortium led by U. S. and British companies. Royalties pay for most of Iran's "White Revolution."

Bulgaria and the Soviet Union which is beamed back to Iran.

Other Soviet bloc investments in Iran include a giant steel plant at Isfahan, a Czech machine tool plant at Tabriz and a Romanian tractor factory at Tabriz. The value of these installations must be about half a billion dollars.

But this falls far short of what the United States alone has in Iran, to say nothing of what the Western package here is.

Still Western oriented

Ninety-five per cent of Iran's foreign business is with the West and only five per cent with the Soviet bloc. This ratio is expected to alter only a few percentage points in the next five or six years, with the Soviets upping their share slightly.

The United States is involved in

railroads, steel, a consortium to develop small industries. Chrysler is putting in an assembly plant to make Hillman and Hunter automobiles. Harza Engineering Co. of Chicago is working in electrification; Detroit Edison and General Electric are also involved. B. F. Goodrich and The Lummus Co. are in a petrochemical plant operation. Pan American Airways has a large and long-running contract for training and maintenance of Iran's national airline. The first of what may eventually amount to several squadrons of F-4 Phantom fighters has been sold to the Shah.

Americans are developing an agricultural area near Khyzestan at the head of the Persian Gulf which someday may be several times larger than rich Imperial Valley on the California-Mexican border. The pi-

lot project covers 62,000 acres. Here seven crops of alfalfa grow in a year.

The national airline flies American equipment.

The biggest thing in Iran is oil. The major consortium operating the Abadan refinery and the main fields is 40 per cent American, 40 per cent British, 14 per cent Dutch and six per cent French. Most American oil companies are dealing in oil in Iran in some form or another. All explorations for oil are in Western hands.

The Soviets are not involved. They have a glut of oil of their own.

Without Western oil operations and developments, the Shah would go broke fast, the White Revolution would expire overnight, Iran would settle back to the old routines which took it nowhere for hundreds of years—and the Shah knows it. **END**

**WHAT YOUR PEOPLE
SHOULD KNOW ABOUT
OUR BUSINESS SYSTEM**

WHAT THE BUSINESS OUTLOOK MEANS FOR YOU

Although it's a familiar story to you, many of your employees have only a foggy idea of how this powerful, efficient, private competitive system of ours works. To improve and broaden public understanding of our private business system, the Chamber of Commerce of the United States has developed a new study course.

It's called "Understanding Economics."

This article is the fifth of a series based on "Understanding Economics," and tells how the business cycle works.

The business outlook has an important bearing on our jobs. It also influences our decisions to buy "big ticket" items—like a house or car—when to save and invest, when to change jobs or retire and even when to have children.

Businessmen, guided by their evaluation of the business climate, must plan their production and marketing.

A severe business depression can disrupt the orderly relations between jobs, production and people's ability to buy what they need.

Worry about the business outlook is justified, for our economic history is dotted with periods of crisis and collapse, and periods of exceptional prosperity.

Although business fluctuations affect almost everyone, they affect various groups differently—and to a greater or lesser degree.

Profits are most dramatically affected by business fluctuations. In a business downswing, practically every business firm, whether a giant steel company or the neighborhood automobile dealer, suffers a drop in profits. Many run in the red.



PHOTO: TOM CLARK



Wage earners feel the pinch of a business downswing too. Overtime hours are usually reduced and wage increases do not come as quickly or as easily as during more prosperous times.

The major burden of a business downswing, however, is borne by the unemployed—those who lose their jobs or who have recently entered the labor force and can find no work. Unemployment normally rises and lasts longer in a business downswing than in an upswing.

What's behind business cycles?

What are the causes of the business cycle and the techniques and problems of forecasting business trends? To answer such questions requires examining the nature of business fluctuations and what typically happens during upswings and downswings.

Government and private economists produce several useful indices of over-all economic activity that usually agree fairly closely. But the most popular and the most convenient is the GNP series. The GNP is the dollar value of all final goods

and services produced in the United States. Basically, this is the amount of money spent for consumer goods and services, for business investment in plant and equipment, and for government services.

The dollar value of the national product is also the national income. For you, a haircut is an expenditure; for your barber, though, it is income.

When we speak of the economy turning "down," we mean the GNP actually declines—as in the recessions of 1953-54, 1957-58 and 1960-61.

Setting apart foreign economic relations, total national expenditures can be divided into three main GNP components:

- Consumer spending on goods and services.
- Business investment spending on plant, equipment, and inventories.
- Government spending on the goods and services consumed collectively.

Consumer spending a stabilizer

Over a span of years, spending by consumers largely depends on their incomes.

On average, we spend about 92 per cent of our income and save about eight per cent.

To the extent that this relationship between income and spending is stable, consumer behavior tends to keep the economy moving in the same direction.

Consumer spending, in other words, works against business fluctuations and in favor of stability. When the GNP is increasing, for example, consumers' incomes are also increasing. If the above relationship holds, consumer spending will increase. The only way that the GNP can decline is for government and investment spending to fall off enough to offset the increase in consumer spending.

Similarly, when the GNP is falling, consumers' incomes are also falling. The only way that the GNP could change direction would be for government and/or investment spending to increase by enough to offset the decline in consumer spending.

Investment spending, which depends on profit expectations, is thought to be a fundamental cause



AMERICA'S LABOR LAWS NEED TO BE REFORMED

The Wagner Act, when it was passed by Congress in 1935, was hailed as the Magna Carta of Labor.

Its purpose was to give labor a bigger voice at the bargaining table. The Wagner Act set up the National Labor Relations Board. Since then, however, the NLRB has become a creature of the unions. The decisions of the NLRB today are one-sided.

—Your employees can be forced to join a union, even without being given a chance to vote on whether or not they want a union.

—Unions can force you to bargain over whether or not to subcontract work—or about the price of coffee in your cafeteria—or whether or not to close down an unprofitable operation.

—Unions can strike to prevent cost-saving improvements in your plant.

—Unions can fine their members for crossing a picket line, even though those members are forced to join a union to hold their jobs.

—Unions can strike in violation of their contract, and you cannot go to court to get them back to work.

The time has come to face up to this situation and, in fairness to employees, employers and the public, to do something about it. Therefore, the National Chamber—in cooperation with national business and professional associations—is conducting an intensive campaign to encourage Congress to take a fresh look at America's outmoded labor laws, and to bring about a needed reform of these laws—and, of course, to bring about a needed reform of the NLRB.

We will stick at this campaign vigorously until its purpose is fulfilled.

LABOR LAW WORKSHOPS

To bring out into the open the issues now before Congress relating to labor and management—and to answer questions about what can, and should, be done to correct abuses in the administration of the labor laws—the National Chamber, together with state and local chambers, will conduct LABOR LAW WORKSHOPS in these cities in September:

Date in September	11.....	Omaha, Nebraska
	12.....	Dallas, Texas
	13.....	Los Angeles, California
	15.....	Seattle, Washington
	18.....	Madison, Wisconsin
	19.....	Indianapolis, Indiana
	20.....	Montgomery, Alabama
	21.....	Orlando, Florida
	25.....	Providence, Rhode Island
	26.....	Rochester, New York
	27.....	Harrisburg, Pennsylvania
	29.....	Richmond, Virginia

You are invited to attend one of these LABOR LAW WORKSHOPS and to take part in the discussion. For information about the program, the time, meeting place and cost, write, wire or phone (202-628-2380):

CHAMBER OF COMMERCE OF THE UNITED STATES
Washington, D.C. 20006

of business fluctuations. Since investment spending tends to be more volatile—quicker to take effect—than either consumer or government spending, the percentage fluctuations around the upward trend-line are considerable.

Profitability is the basic factor determining the level of investment. Businessmen will invest whenever they expect that the money returns justify the money costs and risks involved. So an analysis of fluctuations in investment spending is essentially an analysis of the factors affecting expectations about risks, costs and prospective returns, expressed in current dollars.

How firms decide to invest

What determines investors' expectations about the future? Some of the factors are noneconomic, such as war or the threat of war, or the fear that an unsympathetic government will make it more difficult to earn or keep profits, or the belief that prices will rise.

Total national demand is only of interest to the businessman as it affects the demand for his product. One theory of investment fluctuations is based on the supposed tendency of investors to overestimate the share of total industry demand which their particular firm will capture.

According to this theory, in good times each firm tends to assume, and base its investment decision on the assumption, that its market share will increase. Thus, each firm purportedly assumes not only that the demand for its product will rise, but also that it will capture a larger percentage of the total business.

Obviously, not every firm can increase its market share. The result is that too much new productive capacity is built. When the new capacity comes into use, which may not be for a year or two or even longer, the immediate market cannot easily absorb the increased output.

Prices fall, profits shrink, the more vulnerable firms go broke and a recession is triggered.

Eventually, demand catches up with the increase in capacity, and the cycle begins again.

Another explanation of investment fluctuations looks to past investment booms to explain future booms. The theory is that, during a boom, a substantial portion of investment is spent on replacing old capital equipment. Eventually, this

capital equipment wears out or becomes technologically obsolete and, in turn, must be replaced, causing another investment boom.

Another way in which investment fluctuations can be generated is through inventory changes. Inventories are a form of investment. Business firms hold on to their inventories for any of several reasons:

1. It is inconvenient and costly to adjust production to short-run changes in sales.
2. A certain amount of work is always in process in an incompleting form.
3. Prices may be expected to rise.

Since inventories are usually sold relatively promptly, decisions about inventory investment are usually based on short-term expectations about market conditions.

What is the basis of the inventory cycle? When demand first rises, inventories tend to fall. Next, if the rise in demand is believed to be permanent, firms will increase their production as well as their normal level of inventories. The result will be an increase in investment spending.

Effect of investment spending

The rise in investment spending will tend to increase people's incomes and lead to a further rise in demand. This further increase in demand will again deplete inventories, and lead to more efforts to increase investment.

Eventually, however, firms will have increased their inventories to the desired levels. When that happens, inventory investment will decline. As such spending drops, incomes are also reduced, and along with them, demand.

Short recessions, as in 1957-58, are generally the result of an inventory adjustment of this kind.

Although consumer spending is a rather stable element of national income, it is so large (about 80 per cent) that its small percentage fluctuations have considerable economic impact.

Investment spending, on the other hand, though a relatively small component of national income, is a very volatile one.

The sum of government spending at all levels occupies a middle position; it is smaller and more volatile than consumer spending, but larger and less volatile than investment spending.

Potentially, government spend-

ing can increase more rapidly than either consumer or investment spending. Consumers and investors are limited by their current income, assets and ability to borrow. Government is limited by the same factors, but the power to tax gives government a potential claim on more of the income and assets of private persons.

Year-to-year fluctuations in government spending can come about in several different ways. Authorities may decide to spend more this year than last. As with consumer spending, the problem is not to find ways to spend money, but to decide how much to spend, and to choose among alternative ways of spending.

Fluctuations in government spending may develop because of changes in economic or noneconomic forces. For example, in a recession, welfare payments tend to expand; in a period of prosperity, they tend to contract. Defense spending depends to a great degree on the hotness of the cold war.

But variations in government spending are only half of the story.

When government taxes, it takes money away from the private sector and reduces private spending. When the government spends or cuts taxes, it puts money back into the income stream and encourages private spending. If government collects more in taxes than it spends, the net effect is to depress total spending. If government spends more than it collects in taxes, the net effect is to raise total spending.

Greater tax-take will slow down the growth of national income. The opposite condition holds during a recession: Tax revenues fall off faster than national income, leaving a greater proportion of after-tax income than before.

Because of the offsetting effect of greater tax drain on a rising economy and the contracyclical support of a lesser tax drain during recessions, these effects are called "built-in stabilizers" in the economy.

Forecasting the future

How can we tell today what is going to happen in the economy tomorrow?

We cannot accurately predict business fluctuations. All predictions are of the "if . . . , then . . ." variety.

Business forecasting is somewhat like weather prediction.

Different economic forecasters employ different methods. For some, the process is highly informal. The forecaster may simply immerse himself in data, perhaps reading trade journals for industry outlooks, government publications relating to all sectors of the economy and the impressions and forecasts of other economists.

On the basis of all this information, the economist looks into his crystal ball and makes his own forecast. The results depend primarily on the quality of the observer's intuition and experience.

One approach was developed by the National Bureau of Economic Research. The NBER has discovered, by detailed analysis of past business cycles, a group of "leading indicators"—statistical series which in the past have turned up or down before the economy as a whole. Examples of these indicators are new orders, hours worked per week, stock prices and construction contracts awarded.

A new development in business forecasting uses "model-building." Economists develop theories of the main forces affecting economic activity, basing them on relations within the economy that seem to be stable. Equations and computers also are used.

Manipulation by Washington

The federal government is required by law to try to keep the economy at a high employment, high production level. Section 2 of the Employment Act of 1946 states that: "It is the continuing policy and responsibility of the federal government . . . to promote maximum employment, production, and purchasing power."

It is clear that the wording of the Act does not provide an exact guideline for policymakers. The basic aim is to avoid the extremes of either depression or rapid inflation. But between these extremes often exist substantial areas of disagreement; within this range, economic policy is often decided more on political than on economic grounds.

Probably the largest area of disagreement is over the relative importance of stable prices and increased output and employment. After the GNP reaches a certain level, further increases can be gained only at the cost of rising prices. Policy decisions about the ideal level of GNP thus involve a



Experience is still a good teacher — especially if you can learn from the other fellow's progress and problems.

Through the years, in its work with members in your field, the association representing your interests has developed a storehouse of know-how. It has collected the answers to many simple, easily overlooked problems. More importantly, it can help you tangle with the tough ones—the solution to which can mean money in the bank.

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through trade and professional associations

decision as to the tolerable level of price increase.

Government has two general ways to stimulate or dampen total spending flows and so to influence business fluctuations. These are monetary and fiscal policy.

Monetary policy usually refers to decisions of the Federal Reserve to expand or restrain credit and thereby affect total economic activity. Fiscal policy refers to budgetary taxing and spending decisions that affect the level of national income and of economic activity.

The primary advantage of monetary policy is that it can be changed quickly and easily in response to changed business conditions. A basic disadvantage is that it may not be as effective as spending or taxing policy, particularly when it is used to stimulate spending. The reason for this is that the government cannot force people to borrow money. All it can do is to make borrowing cheaper and easier.

The government can also influence private-sector spending with policies to change income distribu-

tion. Through its fiscal and monetary policies especially, the government can profoundly influence total spending and economic activity.

But the power to act correctly is also the power to act incorrectly. Good policy decisions can stabilize the economy. Poor policies can widen and deepen business fluctuations and even reverse the direction of the economy. And despite the "taming of the business cycle" since World War II, economic fluctuation has not been eliminated. **END**

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Student hero on the skids

BY JEFFREY ST. JOHN

Sen. Robert F. Kennedy, hailed as a student hero in recent years, has fallen from favor with many younger Americans. This is the conclusion based on a survey of college students conducted by this columnist for the Research Institute of America.

Asked to name an adult whom they would want to emulate, only 2.2 per cent of the total sample mentioned Robert Kennedy.

In the Senator's home state (New York), over 200 students responded to the questionnaire from Columbia, New York University, and Pace College. Of these 200-plus, only six mentioned Robert Kennedy. RFK's poor showing is remarkable because of his association with his brother, the late President, and more recently the exposure he continuously gets. (John F. Kennedy polled five per cent in the sample. His heaviest vote was at the University of South Carolina.)

Our survey statistically confirms what I have been told in personal in-depth interviews with U.S. students from all political points of view. For example, when a guest on a radio interview program in New York this spring, two guest students from Brooklyn College in New York City communicated to me a growing resentment of Robert Kennedy.

The students are Perry Glasser and Stewart Susnik, self-described political activists.

"He is speaking for youth in the image of his brother," Perry Glasser commented. "I think this is deliberate, and this is a stigma that doesn't make him an ideal. It's all too obvious that his appeal is not a genuine thing. You get the impression when he speaks in the schools that it's a put on."

Stewart Susnik, whose hero is Martin Luther King, had mixed feelings about RFK, which later crystallized after seeing the controversial play, "MacBird," in which Senator Kennedy is portrayed as ruthless and void of idealism. This play may have sharpened New York City students' discontent with the Senator, and also with Lyndon B. Johnson. For neither of them was treated favorably in the play.

Mr. St. John is a journalist, a radio commentator and a consultant to the Research Institute of America on youth attitudes. His column appears regularly in NATION'S BUSINESS.

In our RIA survey President Johnson did not once rate favorable mention, and in the northern urban schools, the President is regarded by a high percentage of students with disdain, if not downright hostility, because of the Viet Nam war and the draft.

Barry Silverstein, 19-year-old student at New York University, is still very much a Robert Kennedy fan. However, he, like many students with whom I have spoken, has no illusions about what RFK is seeking.

"People are naturally drawn to him," Barry told me in April, "because of the thing with his brother John, which is a very unfortunate way to gain popularity but a very true fact. I think the younger generation moves with him because he is cool; especially since he came out in strong opposition to certain policies of Johnson's." Four months later Barry is much more critical of RFK, especially of his "fence straddling of issues" like the draft and Viet Nam.

After compiling our statistical data, we checked with more militant leftist student leaders when Senator Kennedy advocated tax credits for business to fight poverty in the ghetto, and made statements on the riots in U.S. cities. These militants feel these statements are a "betrayal of his earlier positions and commitments, and a clear indication that Bobby is aligning himself with big business and against the Negroes and the poor."

The survey indicates that the disenchantment is deepest in lower income and radical leftist student ranks, but also reaches up into middle-class students as well.

A 19-year-old student at American University in Washington, D. C., who refused permission to use his name because he worked this summer on Capitol Hill and wants to return next year, told me he worked very hard to get RFK elected Senator. At that time he was completely sold on Bobby.

"After watching Bobby Kennedy in the Senate," he commented, "I have come to the sad conclusion that he lacks a real respect for the Senate; he's only interested in using the Senate to get attention to further his ambitions. In contrast, his brother Teddy really works at being a Senator, always working on bills within the system. Bobby also gives you the strong impression that he has no respect for the whole democratic process. I am deeply disappointed."

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